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# FINANCIAL TIMES

THURSDAY, APRIL 28 1994 D8523A

## Brussels calls for liberalisation of EU mobile telecoms

The European Commission called for the full liberalisation of EU mobile telecommunications in a move aimed at overcoming fragmentation and consolidating Europe's place in the world market. The Brussels appeal is the first step towards the EU goal of total telecommunications liberalisation by 1998. It is contained in a green paper adopted by the Commission yesterday after two years of research. Page 14

**IBM to sell technology to rivals:** International Business Machines of the US is to sell microprocessor chips at the core of its future mainframe and parallel computer products to rival Hitachi of Japan. Page 15

**\$1bn boost for US high-tech challenges:** The US is expected to announce a \$1bn package to fund the development and manufacture of flat panel displays, such as those used in portable computers. Page 14

**Hata to announce hobbled cabinet:** Japanese prime minister Tsutomu Hata is expected today to announce the weakest minority cabinet in post-war history. The Social Democratic party left his coalition, leaving it 56 seats short of a majority. Page 4

**Russia warns to Nato partnership:** General Vladimir Zhirinov, deputy head of the Russian general staff, will visit the military headquarters of Nato near Brussels amid speculation that his country is about to soften its attitude to co-operation with the alliance. Page 2

**Solidarity plans strikes:** Poland's Solidarity trade union plans nationwide 24-hour strikes today in support of an end to wage controls in state industries. Page 2

**UK and Argentina plan oil talks:** Britain and Argentina are to hold talks in July on joint oil exploration in waters surrounding the Falkland Islands. Page 6

**Bayer rises 18%:** German chemicals group Bayer reported first-quarter pre-tax profits up by 15 per cent to DM735m (\$444m), reflecting the impact of extensive cost-cutting measures as well as an increase in all business sectors. Page 16

**Williams makes cash call:** Williams Holdings shares fell 9p to 379p as the industrial conglomerate called on shareholders for £287m (\$389.8m) to carry it through the next raft of acquisitions. Page 16; Lex, Page 14

**Scandinavian Airlines System** said the sale of its two biggest non-core business units, SAS Leisure and SAS Service Partner, to European buyers was well advanced. Page 15

**Venezuelan policy under fire:** The administration of Venezuelan president Rafael Caldera is under question following the resignation of central bank president Ruth de Krivoy. Page 6

**Easing of US banking laws expected:** Measures to allow US banks to open branches freely outside their home states could become law next month following the passage of an interstate banking law by the Senate. Page 6

**German repo rate cuts:** The prospect of a decisive decoupling of US and European interest rates was improved by a cut in the German repo rate to 5.47 per cent, more than most commentators had expected. Currencies, Page 33; Lex, Page 14

**Call to Berlusconi delayed:** The expected call to Silvio Berlusconi to form Italy's government was delayed amid fears of a conflict of interest over the media magnate's Fininvest empire and a row over allocating ministerial posts. Page 14

**Offer for Lasso expected:** Enterprise Oil is expected to move on rival UK oil explorer Lasso this week following a statement that it was considering an offer for the company. Any approach is expected to be rebuffed by Lasso. Page 15; Lex, Page 14

**Kia considers supply deal:** Kia Motors of South Korea is considering supplying Ford of the US and Mazda of Japan, its two largest shareholders, with its Sportage four-wheel-drive sports utility vehicle. Page 19

**Lion Nathan 42% ahead:** New Zealand brewing group Lion Nathan reported a 42.2 per cent rise in interim tax-paid profits to NZ\$113m (\$36.5m), helped by an improved contribution from its Australian interests. Page 19

**Curb on shipbuilding aid sought:** The world's leading shipbuilding nations will meet in Paris next month to try to reach agreement on curbing international subsidies for the industry. Page 7

**India seeks highway investments:** India is offering incentives to private foreign and domestic companies to invest \$4.7bn in 27 projects to construct bypass roads, bridges and expressways in 16 states. Page 7

STOCK MARKET INDICES		GOLD	
FT-SE 100	3,190.0 (+24.7)	London	\$374.40 (\$73.70)
Yield	3.84		
FT-SE Eurotrack 100	1,471.83 (+6.91)	STERLING	
FT-SE-A All-Share	1,590.23 (+0.79)	London	1,589.6 (1,501.5)
Nikkei	10,723.15 (+102.22)	DM	2.32 (2,522.9)
		FF	21.694 (6,532.6)
		SV	21.689 (2,153.8)
		ITL	154.547 (154,542)
		2 Index	80.5 (same)
		Tokyo close	¥102.68
		The New York markets were closed yesterday	

LONDON MONEY		NORTH SEA OIL (Argus)	
3-mo Interbank	5.4% (same)	Brut 15-day (Jun)	\$16.38 (15.00)
Little long gill future	Jan10082 (Jan10082)		

## Buthelezi threatens boycott over deficiencies in polling station organisation Inefficiency claims mar credibility of S African poll

By Mark Suzman and Michael Holman in Johannesburg

Widespread organisational problems yesterday threatened the credibility of South Africa's democratic elections as millions turned out to vote for the first time.

Chief Mangosuthu Buthelezi, leader of the Inkatha Freedom party which barely a week ago agreed to participate in the poll, last night warned that his party might pull out unless what he called an "unacceptable situation" was rectified.

Some designated polling stations never opened, and many of those that did soon ran out of equipment including ballot papers and the invisible ink supposed to be stamped on voters' hands to prevent fraud.

More serious, however, was the unavailability at a number of stations of stickers with the IFP's name. Electoral officers were to have fixed these to ballot papers, which had been printed before the party's decision to take part.

President FW de Klerk appealed for patience and understanding and said he did not believe the problems would interfere with the free and fair nature of the election.

After consultations with Mr

Nelson Mandela, the African National Congress leader who voted for the first time in his life yesterday, Mr de Klerk announced that today would be a public holiday, as yesterday had been, to allow South Africans extra time to vote.

Mr Justice Johann Kriegler, chairman of the Independent Electoral Commission, the body charged with running the election, acknowledged "difficulties" but described the process so far

- Page 4
- Civil servants cling to last barricades
  - Mandela's walk to freedom
  - Not proven verdict

as "80 per cent" successful.

But there was widespread confusion over how to deal with the absence of Inkatha from some ballot papers. The IEC at one stage gave permission for Inkatha supporters, many of whom are illiterate, to write the party's name on to the ballot having initially said this would constitute a spoiled paper - and then later announced that such ballots would be counted only at an unspecified "lesser value". The

number of affected votes is not yet known.

Judge Kriegler said millions of new ballot papers with Inkatha's name on were being printed across the country and would be distributed overnight.

Turnout far exceeded expectations and in many voting stations queues stretched for over 2km as people had to wait for up to eight hours to cast their vote.

The IEC was widely criticised for poor planning, inefficiency and even impropriety. Mr Clarence Makweh, president of the Pan Africanist Congress, charged that the IEC was rigging the election.

The voter response belied fears that a rash of recent bomb blasts, which have killed at least 21 people since Sunday, would lead voters to stay home. Another car bomb exploded at Johannesburg's Jan Smuts airport yesterday morning, injuring 18 people.

Police later announced that they had arrested 31 suspects including a police officer and a reservist, many allegedly associated with the neo-fascist Afrikaner Resistance Movement (AWB). Problems appeared most acute in former homelands, especially Transkei, Ciskei and northern KwaZulu, where many polling booths never opened.



A personal dream fulfilled: ANC leader Nelson Mandela casts his vote in a high school in the township of Inanda near Durban. Photograph by Reuters

## Brussels tells Paris to open up routes from Orly

By David Gardner in Brussels and John Ridding in Paris

The European Commission yesterday ordered the French government to open Orly airport in Paris to Air France's rivals on routes to London, Toulouse and Marseille.

"The demand is a serious test of Brussels' will to enforce the EU's 'open skies' policy. France said it would immediately appeal against the ruling to the European Court of Justice."

"The decision taken in Brussels has serious consequences in opening, without a period of transition, France's internal network," said Mr Bernard Bosson, transport minister.

The Commission found that Air France and its subsidiary Air Inter, which also plans to appeal, were in breach of the rules in the so-called Third Aviation Package of liberalisation measures which came into force last year. This was designed to promote greater competition. The Commission's decision follows complaints brought last September by TAT, the French airline 49.9 per cent owned by British Airways, that it was the victim of a monopoly at Orly.

French authorities were told to open up the Orly-London route immediately, and given a six-month breathing space to open up the lucrative routes to Toulouse and Marseille, the third and fourth busiest routes in the EU.

The controversial decision has been held up through fear of upsetting delicate French government negotiations with Air France unions over restructuring the state-owned airline.

The sensitivity of the decision was underlined yesterday when Mr Jacques Delors, Commission president, abstained and the other French commissioner, Mrs Christine Scrivener, voted against the action.

Yesterday's move presents a dilemma for the French government, which is seeking European Commission approval for a FF20bn (\$3.43bn) capital injection for Air France. Liberalisation of the French airline market

## Kohl and Major align on EU extension

By David Marsh and Philip Stephens

The UK and Germany outlined a common approach on enlarging the European Union to eastern and central Europe yesterday as Mr Helmut Kohl, the German chancellor, damped expectations of a quick expansion.

After a day-long Anglo-German summit in which the two governments repaired strains caused by last month's disagreements on EU voting rights, Mr John Major, the British prime minister, pointed to "a long list of subjects" uniting London and Bonn.

Both men emphasised the warmth of their personal relationship, with Mr Kohl at pains to address Mr Major by the familiar "Dad" during a closing joint press conference.

Mr Major's emphasis on the

two countries' common interest in links with the former communist bloc marked the opening moves in Britain's campaign to shape the agenda for the EU's 1996 intergovernmental conference.

In a note of caution about enlargement plans Mr Kohl said extending the EU to the Czech Republic, Hungary, Poland and Slovakia would take longer than generally expected.

He said his government had not yet come up with firm plans on restructuring of the Common Agricultural Policy and the EU's regional funding for poorer regions to accompany eastward enlargement.

Underlining a joint commitment to reduce red tape in Brussels, the two governments will set up a panel of business leaders to examine whether EU legisla-

tion burdens companies with unnecessary regulations.

The idea, discussed yesterday by Mr Michael Heseltine, the UK trade secretary, and Mr Günther Rexrodt, the German economics minister, appears to be in its early stages, as there is no agreement yet on who will be on the panel.

In an effort to improve knowledge of the two countries' economic policies, the UK Treasury and the Bonn finance ministry are to start exchanges of senior officials for three to six-month secondments.

On policies towards eastern Europe, the UK and Germany will propose holding joint military exercises with Hungary next year as part of the Nato "partnership for peace" programme.

The UK government sees another round of enlargement as

the key to shifting the emphasis of change in the EU from the "centralising" impulses, which led to the Maastricht treaty, to a looser confederation of nation states.

Mr Kohl underlined that he, too, opposed a "centralised" Europe. The chancellor denied that his interest in widening Europe to the east meant he wanted to hold up plans for European monetary union. But he emphasised also that the creation of a single European currency had to be "subordinated" to the laws of economic stability.

Meanwhile, Mr Kohl said he had made no firm decision on who the Bonn government would back for the succession to Mr Jacques Delors as president of the European Commission.

He refused to rule out the possibility that Germany will back Mr Jean-Luc Dehaene, the avowedly federalist Belgian prime minister.

Mr Kohl sought to rebut any suggestion that his absence from next month's D-day celebrations was seen in Bonn as a slight.

Editorial Comment, Page 13

Continued on Page 14

## Detergent maker boils over at opponent's rotten claims

By Maggie Urry in London and Ronald van de Krol in Amsterdam

Procter & Gamble and Unilever, bitter rivals in the £6bn (\$8bn) a year European detergent market, yesterday resorted - almost literally - to washing their dirty linen in public.

Unilever executives brandished "rotten" underwear in evidence as they fervently denied claims by P&G that a new concentrated washing powder rotted clothes.

The row reached boiling temperature when an unnamed P&G executive was quoted in a front-page article in the Rotterdam newspaper *Algemeen Dagblad* as saying fabric showed damage after 24 washes in Unilever's new powder.

Stung by the allegation - all the more painful because Rotterdam is its headquarters in continental Europe - Unilever rapidly called a press conference. One of its scientists held up a cloth which had been washed 380 times in the product and asked: "Can you see any holes?"

Unilever, whose position in the market has fallen behind P&G's in the last five years, is attempting to catch up with the pan-European launch of a new concentrated powder. Billed as the most significant new product launch in the market for 20 years, Unilever claims the powder is genuinely innovative, better at removing stains and more environmentally friendly.

P&G slips 4 per cent...Page 18

The company plans to spend nearly £200m to promote the product across Europe and has already invested £100m in three new factories to make it. Unilever's sales of concentrated powders total £250m across Europe.

Advertising will stress environmental benefits as the product is launched under local brands such as Persil Power in the UK and Omo Power in the Netherlands and Switzerland. Dutch consumers have been able to buy the powder for the last two weeks, although it has been

test marketed in the Netherlands since last autumn. It will begin to appear on UK supermarket shelves next week.

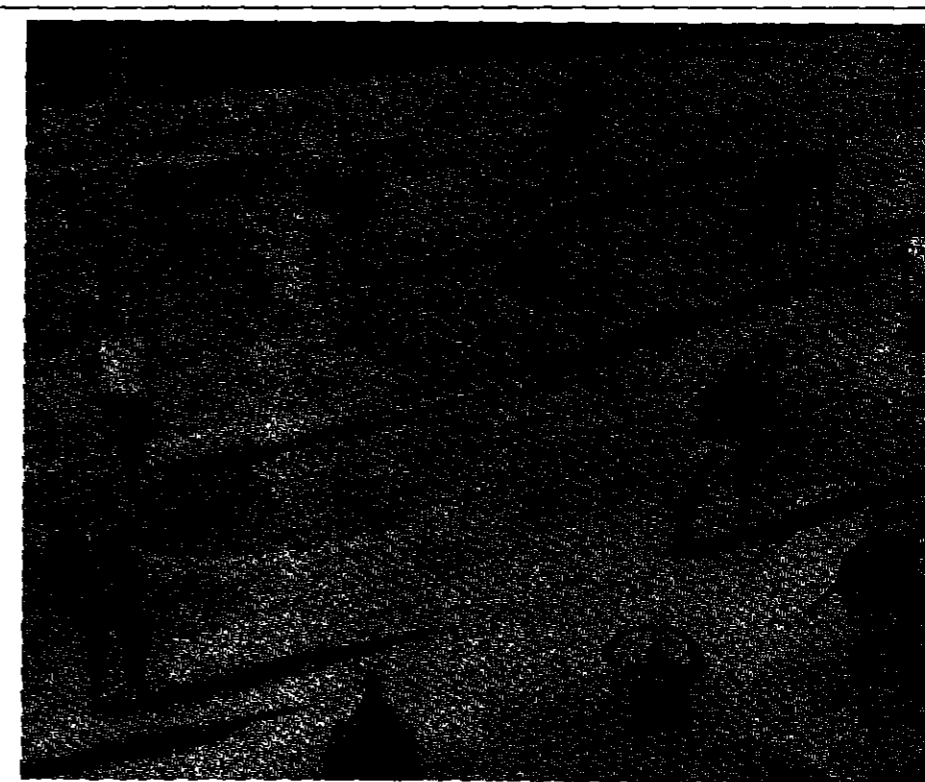
While Unilever expected P&G to retaliate to protect its A&E brand, executives at the Anglo-Dutch conglomerate appeared shocked by its US-owned rival's attack.

Unilever said the allegations were "absolutely unfounded" and it was consulting lawyers over what action it might take.

The vital ingredient in the Unilever powder is a new molecule which it claims accelerates the bleaching process, shortening washing times and allowing lower temperatures. As well as using 80 per cent less energy to make the powder, this reduces the consumer's energy bills too.

But a P&G executive had been quoted in *Algemeen Dagblad*, saying that his company had known for 20 years about the technology Unilever is using.

Unilever has patented the molecule, and searches of patents show that none of its competitors had claimed ownership of anything like it.



This is the team: Industry, Power, Transportation. To be more precise, they're the three areas we operate in. Diverse, exciting, unique, yet, when united under a common strategic vision, their movements choreographed and coordinated, they become together the force which permits us to be amongst the leaders in Electrical, Mechanical and Industrial Engineering.

**OUR STRENGTH IS TEAMWORK, WITH INSPIRED SHOOTING.**

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mechanics at the international level, creating products and systems for the industrial growth of countries around the world. The true players in this game of intelligence, preparation, and determination, are, of course, our people. If you decide to join up with us, here's hoping that this season, the best team wins.

# Solidarity strike shakes Poland's coalition

By Christopher Bobinski in Warsaw and Chrystia Fieles in Belchatow

Poland's centre-left coalition government yesterday faced its most serious political threat since it was elected last autumn, as the Solidarity trade union prepared a day of nationwide strikes today demanding an end to wage controls in state industries.

Solidarity supporters at four open-cast lignite mines which supply one third of Poland's power stations have been on strike since last Thursday. Yesterday a quarter of the hard coal mines were on strike too.

Workers at Belchatow, an open-cast mine 150km south of Warsaw where opposition to privatisation plans was the trigger for the current wave of strikes, held a bellicose rally

yesterday which underscored how much Solidarity has changed since the 1980s, when the union led a unified nation in its struggle to overthrow the communist regime.

"This government is worse than the old communists were," said a middle-aged miner, wearing his dirt-streaked navy overalls and a red and white Solidarity armband. "The only improvement today is that at least they no longer send riot police to break up our strikes." He would not give his name and most of his colleagues refused to speak to journalists altogether.

Angry speakers at the rally at Belchatow - which, like the other lignite mines, poses a particularly acute threat to the government because the power stations it supplies do not maintain large stocks of lignite

coal - voiced the grievances of a working class which fears it will lose out in the radical political and economic reforms which the workers themselves made possible.

"A very specific group of individuals is benefiting from privatisation, while the workers get nothing," a Solidarity official told a cheering crowd of more than 5,000 miners.

Paradoxically, it is now - after Poland's radical shock therapy reforms gave the nation the highest growth rate in Europe in 1993 and have produced evident prosperity - that workers' fears they will lose their jobs threaten to derail the country's macro-economic stability and its plans to restructure and privatise still inefficient state-owned heavy industries.

Solidarity, which has under-

2m members, wants the government to produce a plan for dropping the wage controls by this evening as a condition for ending the protest. Solidarity is also asking for the controls to be replaced by a system of collective wage bargaining within guidelines agreed annually by a tripartite commission composed of unions, government and the employers.

More generally, the union wants a commitment from the government of policies ensuring real wages growth this year at half the rate of GDP growth for 1994 which is predicted at 4.5 per cent.

This formula was promised to Solidarity by the previous government led by Ms Hanna Suchocka and the present coalition promised the removal of wage controls in its election campaign last autumn. The

wage controls which date back to the 1980s have also been criticised by right-wing economists who argue that companies which pay their employees too much should be allowed to go bankrupt.

However, non-communist governments have in the past four years kept them in place for fear that Poland's still prevalent state owned monopoly producers would raise prices to pay for wage increases if the controls were lifted.

Mr Waldemar Pawlak, the prime minister and Peasant Party (PSL) leader, recently said that he didn't see the sense of keeping the controls, even though his ministers, led by Mr Henryk Chmielek, the acting finance minister, are arguing that the move would fuel inflation. Mr Pawlak did, however, consent last week to

having the coalition's deputies in parliament propose a new wage control law to replace earlier regulations which expired on March 31.

The government's mishandling of the crisis was on display at Belchatow, where a minister, his voice booming over the speaker telephone for nearly an hour, sought in vain to negotiate with union officials. They told him to come to their mine if he wanted to talk and warned that "this is not just some party."

The crisis gives President Lech Walesa - the founder of Solidarity and no friend of the present government, which contains the Left Democratic Alliance (SLD) that groups former communists - an opportunity to mediate and show that the present administration is incapable of ensuring indus-

trial peace without his help.

Just before Mr Walesa went on a two-day state visit to Lithuania on Tuesday, he said he would "resolve the situation" on his return. Indeed he has recently lost no opportunity of saying that he thought Mr Pawlak, who is 33 years old, didn't have the experience to handle the present crisis.

Yesterday Mr Miroslaw Pietrowicz, the head of the government's planning commission (GUP) warned of the inflationary dangers of removing the controls.

The latest GUP forecast says that real wages growth for this year would amount to 4 per cent compared to last year, when real wages rose by 1.5 per cent. Prices in the first quarter are rising at an annual rate of 31 per cent compared to 35 per cent last year.

## Opel plan 'strikingly similar' to VW idea

By Christopher Parkes

Plant X, the root of all the trouble between Volkswagen and General Motors, has re-emerged at the centre of a criminal investigation into suspicious global purchasing of stolen GM secrets before his move to the German company just over a year ago.

As German prosecutors announced yesterday, there were striking similarities between GM's secret Plant X - a shelved project to build a super-efficient car factory in Mexico - and VW's own version, Plant B.

The similarities were detected during the painstaking sifting of data seized last August in a search of Volkswagen's headquarters and the homes of Mr López and seven colleagues who fled with him from GM to VW. Data on plant B was found in Mr López's office, prosecutors said.

Neither the find nor its location is really surprising. While still employed by GM, Mr López worked as project leader on Plant X. He personally negotiated a deal with a Basque consortium. He had a site all ready for the revolutionary new works, "my dream," as he liked to call it.

It was the shattering of this dream, with the discovery that the project was to go ahead - at least not in Mr López's home town - which led to his bitter and controversial desertion. Shortly after his move, as charges and counter-charges flew about his head, Mr López was to learn that VW was not to go ahead either.

But while the plant represented Mr López's "dream," it could in no way be considered his property. Investigations will continue, details will be checked and cross-checked to discover how closely the projects match one another. The aim will be to determine if VW's project was copied from GM data - essential if industrial espionage is to be proved.

The likelihood of more than passing similarities being found appeared to be increased by other discoveries announced by the prosecutors' office yesterday. These included diaries and other material which were suspected of being sourced or copied from documents belonging to Adam Opel, GM's German subsidiary.

Another important find was a diskette in Mr López's "personal environment" crammed with data on cost-saving programmes for GM cars.

Although a seemingly meagre harvest from almost eight months' gleaning through the 2m-plus sheets of paper seized in last August's raids, the discoveries clearly nullify recent speculation that the chief investigator, Ms Dorothea Holland, has reached the end of her tether and is about to fold the whole investigation.

It will last for several months yet, according to her spokesman, and there is no sign yet of whether it will result in charges either in Germany or the US, where a federal grand jury is investigating. In the interests of preparedness, VW appears to have a defence ready and based on the claim that GM has an exaggerated sense of what is secret. KPMG consultants, called in after the VW raid last year, found some GM and Opel data, and declared the lot non-confidential.

Yesterday's revelations followed last year's find of secret data on Opel's sub-compact O-car in a house previously occupied by two of Mr López's closest lieutenants, and admissions from VW that large quantities of "possibly sensitive" data was shredded on its premises.

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## France's Gaullists join UDF in Euro-alliance

By David Buchan in Paris

France's RPR Gaullist party has decided to make an historic switch, a spokesman confirmed yesterday, by joining its French UDF ally in allying itself with the christian democratic European Peoples party (EPP) in the Strasbourg Parliament.

This will have the immediate result, after June's European Parliament elections, of consolidating the EPP as the main conservative grouping at Strasbourg. It could also pave the way to a united centre-right party in France where for decades conservatives have been split between the essentially nationalist movement created by General Charles de Gaulle and the more free-market liberals represented by the UDF federation, put together by ex-President Valéry Giscard d'Estaing.

It is this conservative split that helped President François Mitterrand win the past two presidential elections and that is fueling the rivalry between Prime Minister Edouard Balladur and Mr Jacques Chirac, the RPR party leader, for next year's presidential contest.

Even though Mr Balladur is a Gaullist, too, he has proved unusually popular within the UDF whose support has given the prime minister a counterweight to the hold that Mr Chirac has over the RPR party machine. When in opposition in the late 1980s, Mr Balladur wrote several articles urging a formal RPR-UDF merger.

But an RPR spokesman said yesterday it would be "reading far too much" into his party's decision to sit alongside the UDF in Strasbourg to believe that it would have such far-reaching domestic political consequences.

The RPR's decision to join the EPP was at the urging of the UDF which Mr Giscard d'Estaing led into the christian democratic grouping a couple of years ago. Mr Alain Lamassoure, the UDF minister responsible for European affairs and a close associate of Mr Giscard d'Estaing, yesterday vowed in an interview with Le Figaro newspaper "the triple accord" by which the UDF and RPR are fighting the June election, with a single list of candidates running on a common policy platform and agreement that their success-

ful candidates should all wear the EPP label in Strasbourg.

Up to now, the Gaullist Euro-deputies have been part of a ragbag of other conservative nationalists, mainly Irish Fianna Fail deputies, in the European Democratic Rally - just as British Tory Euro-MPs sat with some Danish conservatives in the European Democratic Group until a couple of years ago when they became associate members of the EPP. Like the Tories, the Gaullists have now seen the advantage of joining the big battalion of the christian democrats, despite the EPP's federalist and religious overtones. But the RPR spokesman yesterday did not rule out the possibility that his party's Euro-deputies might form a sub-group of the EPP, like the Tories.

An opinion poll published in Paris yesterday put support for the RPR-UDF list at 38 per cent, with dissident anti-Maastricht conservatives at 4.5 per cent and the National Front at 9 per cent. On the left, the poll gave 18.5 per cent to the Socialists, 9 per cent to a radical list led by Mr Bernard Tapie, the maverick businessman, and 6 per cent to the Communists.

## Nato military chief praises constructive role adopted by former foes

### Russia warms to Nato partnership

By Bruce Clark in Brussels

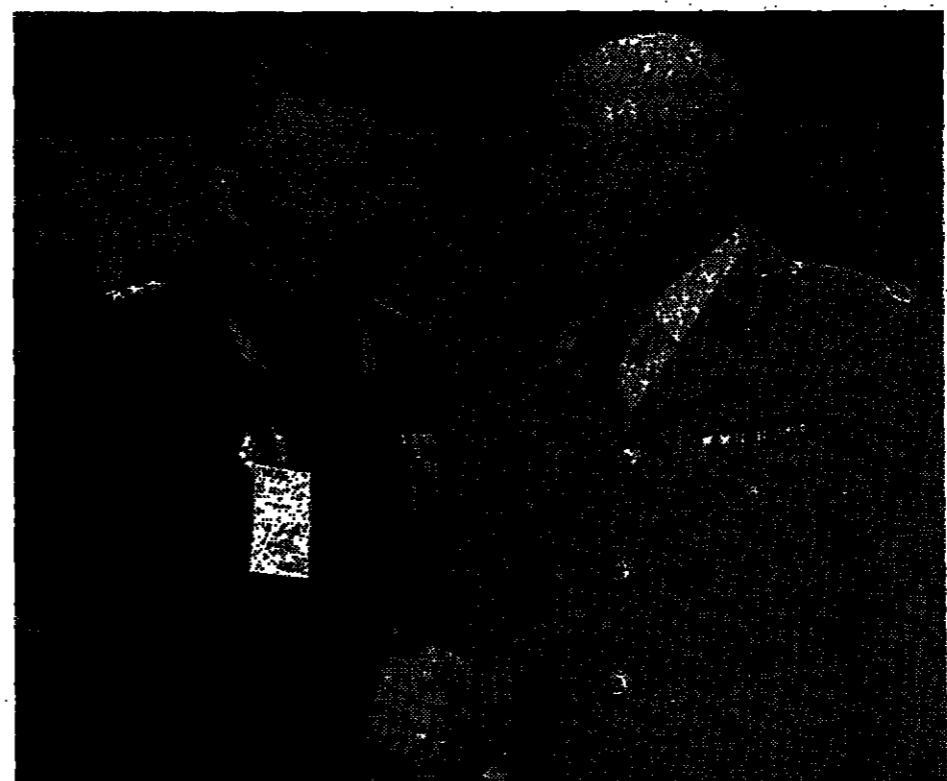
A senior Russian general will visit the military headquarters of Nato today amid mounting speculation that his country is about to soften its attitude to co-operation with the alliance.

General Vladimir Zhurbenko, deputy head of the Russian general staff, will be among the top brass from 15 former Communist countries who visit the headquarters at Mons, near Brussels.

Gen Zhurbenko pointedly declined to disclose his country's intentions at a discussion in Brussels yesterday between chiefs of staff from the former Warsaw Pact and their opposite numbers in Nato.

However, Field Marshall Sir Richard Vincent, chairman of Nato's military committee, said the Russian visitor had played an "entirely constructive" role in discussions about joint east-west exercises within the Partnership for Peace.

Nato has invited all its for-



HAND OF FRIENDSHIP: Gen Victor Samsonov of the CIS (left) is greeted by Field Marshal Sir Richard Vincent before talks at Nato headquarters in Brussels yesterday

mer adversaries in the eastern bloc to join Partnership for Peace, a programme of military co-operation which could pave the way for full membership of the Atlantic alliance for some.

Some 15 former communist countries have joined the programme or are in the process of doing so.

Mr Andrei Kozmyev, the Russian foreign minister, was expected to sign up to the programme during the visit to Brussels on April 21, but the trip was cancelled after a plunge in Moscow's relations with Nato following the first air strikes in Bosnia.

In the last few days, co-operation between Russia and the west over Bosnia has again improved and the Serb

withdrawal, which averted the possibility of fresh air strikes by Nato, also lightened the atmosphere.

Another sign of improving relations between Russia and the main western countries is the renewed interest in some western capitals in upgrading Russia's ties with the Group of Seven leading industrial nations.

Officials close to President Boris Yeltsin have said that Russian participation in the Partnership for Peace could hinge on Moscow's full acceptance into the G7 club.

The G7's Italian presidency has indicated willingness to accept Russia as a full partner in the group's political consultations, although not in its dis-

cussions on the world economy.

A senior Russian diplomat is understood to have telephoned Nato headquarters on Tuesday night with what western officials viewed as a helpful message from Moscow.

The message was to the effect that Russia had strongly pressed the Serbs to withdraw from Gorazde, and the pull-out was now broadly complete. However the diplomat said Russia accepted the inevitability of air strikes in the event of backing by the Serbs.

General Pavel Grachev, Russian defence minister is due to visit Brussels on May 24, providing an opportunity for Moscow to sign up to Partnership for Peace.

## Moscow tries to regulate chaotic share markets

Leyla Boulton looks at efforts to boost confidence

Unique for having the largest number of stock exchanges in the world and the smallest number of shares traded on them, Russia is finally trying to impose some order upon the chaos.

Held up by squabbling among officials and the vested interests of some market participants, the development of a functioning Russian stock market has taken on a new urgency with the appearance of thousands of newly privatised and investment-starved companies desperate to raise capital.

Although an ambitious privatisation programme has created a record number of small investors over the past year, the country has yet to develop a secondary market for share trading.

Last weekend, however, President Boris Yeltsin's Securities Commission gathered dealers, brokers and stock exchanges to request their help in drafting standards and organising self-regulating bodies. Mr Russian Orekhov, who chairs the presidential commission, expects the consultations to produce decrees setting those standards by June.

More than half of Russian industry has been privatised in a mass sell-off which ends on July 1. Mr Anatoly Chubais, deputy prime minister responsible for privatisation, is keen to protect his legacy and help companies survive in a market economy. "It is a race against time to stop them from going bankrupt and discrediting the whole idea of market reforms," says one western banker.

With many plants on the verge of closure and mass layoffs, new share issues are the

only hope for helping the better managed companies restructure and re-tool.

The lack of trading is typical of the 65 self-proclaimed exchanges around Russia. Stocks in newly privatised companies are traded only, if at all, at 2pm every day after clerks match paper bids for them, and are mostly in locally based companies.

The bulk of exchange trading is in shares in new commercial banks, currency options, and issues by a few new companies whose only disclosure of information is contained in television advertisements promising rich returns to investors anxious to protect their savings from savage inflation.

But even much of this trading is artificial, says Mr Jonathan Hay, an adviser to the privatisation ministry, who cites the example of AVVA, an industrial consortium which is trying to raise \$3m for Avtovaz, the Russian carmaker.

Authorisation from the finance ministry to launch a share offering with an unprecedented four-year take-up period means investors may be left in the dark until 1998 about whether the project is viable.

Most of the trade in the privatised companies is within the emerging over-the-counter market. The privatisation ministry hopes this will evolve into a self-regulating market modelled on Nasdaq in New York. But here, too, vested interests are at play, with directors of some privatised companies still preferring a closed market to enable them to buy up shares in their companies in order to secure a controlling stake.

Nevertheless, the main brake on growth has been the state's inability to co-ordinate aspects which cannot be left to market forces.

These include setting standards for company disclosure, fair advertising and a national settlements system. Although companies are supposed to hire independent registrars, many transactions go through only if brokers fly directly to aluminium smelters in Siberia or tractor plants in southern Russia to secure changes in company-held registers.

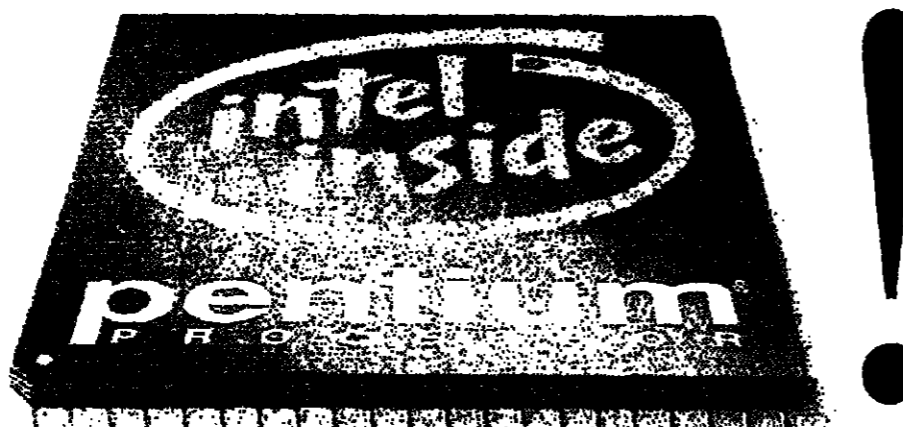
The danger now is that while the central bank and various ministries argue over regulation, scandals generated by companies which have already rushed to tap the market will undermine confidence.

Although Russians have large reserves of cash to invest, many potential investors are extraordinarily credulous, perceiving what they see on television as fact rather than advertising.

One of the most traded securities in Russia is in an obscure financial company called MMM, which runs television advertisements every night showing old ladies buying its certificates of deposit, changing their minds, and getting the paper redeemed with a big profit three days later.

But earlier this month, the day after a bank of the same name folded, Ixvestia newspaper reported that hundreds of MMM shareholders had been unable to redeem their certificates at MMM offices.

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EUROPEAN NEWS DIGEST

## \$113m aid urged for Ukraine

The European Commission has drawn up plans for Ecu100m (\$113m) emergency food aid to Ukraine. The move is in response to a crisis in farm production and distribution which has turned Ukraine, the former breadbasket to Russia, into a net food importer. The Commission warned yesterday that shortages of seeds, fertiliser, fuel and investment in farm equipment have caused chaos in the Ukrainian food supply and increased the threat of social unrest.

The food aid plan is part of a new European "action plan" for Ukraine which requires approval from the 12 EU member states. The Commission plan also attempts to tackle the crisis in Ukraine's energy sector. One idea is that the EU, backed by international donors, should help to complete two new nuclear reactors at Rovno and Khmelnytsky, conditional on the Kiev government dropping opposition to shut down the Chernobyl plant. The Commission made clear that it views the proposals as a test of the EU's recent common security and foreign policy. Other plans include closer political contacts to consolidate democracy and human rights, improving strained relations between Ukraine and Russia, and strengthening Ukraine's "independence, sovereignty and territorial integrity." *Lionel Barber, Brussels.*

## Russia debates MP's murder



Russia's parliament, which has not passed a single law since its election last December, yesterday devoted its energy to a furious debate over the contract-killing of an MP and former banker. The shooting of Mr Andrei Ayzderdis at his home on Tuesday night prompted a pledge of swift retribution from President Boris Yeltsin, who has been trying to persuade parliamentary parties to sign an agreement today committing them to political consensus.

Conservative deputies, led by Mr Vladimir Zhirinovskiy (left), called for the sacking of Mr Victor Yerin, the interior minister, claiming that the killing of Mr Ayzderdis, who last week published a list of 266 alleged mafia bosses, proved the present government was incapable of fighting crime. *Leyla Boulton, Moscow.*

## Dutch-Belgian naval accord

The Dutch and Belgians have tentatively agreed to set up a joint naval command headquarters to cut costs at a time of shrinking defence budgets, a Dutch navy spokesman said yesterday. The two nations will merge their command units at the Dutch naval headquarters in Den Helder, 86 km north of Amsterdam. Operations will be directed by the headquarters by a single binational staff. The accord has to be formally approved by defence ministers of both nations. Belgian navy headquarters in Ostend will be closed, while there will be a cut in Dutch staff at Den Helder. Belgium froze its defence budget last year at \$2.85bn a year until 1997. It is also aiming to halve its armed forces to 47,500 soldiers. After the restructuring, Belgium will have three frigates, 11 minesweepers and hunters and two other command vessels. The Dutch defence ministry will be cutting its number of frigates from 22 to 16, submarines from six to four, and all its 12 minesweepers will be abolished. *Associated Press, The Hague.*

## Hungary media move

The Hungarian government expanded its portfolio of media businesses by buying back the venerable but loss-making Magyar Nemzet daily newspaper from its French owner, the state news agency MTI reported yesterday. Hazant Group subsidiary Hungarian Press Participation Ltd sold its shares in the paper for an undisclosed sum, but MTI estimated Ft400m (\$3.3m). The government is also assuming the paper's Ft800m debt and injecting a further Ft200m to keep the paper afloat. In 1990, the government prevented Magyar Nemzet's sale to the Swedish liberal newspaper Dagens Nyheter on political grounds and finally settled on the conservative French concern. The state now has a 92 per cent stake in Magyar Nemzet, fourth largest among national dailies with a circulation of 30,000. The largest circulation daily, Nepszabadsag, has a circulation of 300,000 and is mostly owned by German media giant Bertelsmann. *Associated Press, Budapest.*

## Cyprus hopes fade

Hopes of a breakthrough on Cyprus appeared to recede yesterday with Turkey's parliament postponing today's debate on United Nations confidence building measures to end the 20-year division of the island. The move to Tuesday is a snub to Prime Minister Tansu Ciller, who has urged the Turkish Cypriots to agree to the package, warning that Cyprus was an increasing handicap for Turkey. She was openly attacked by Turkish politicians, and less explicitly, by Mr Rauf Denktas, Turkish Cypriot leader. A UN special envoy has been in an intense diplomatic shuttle between Turkey and the island this week in an effort to sell plans to reopen Nicosia airport for use by both communities, and to allow Greeks to return to the resort of Varosha. *John Murray Brown, Istanbul.*

## ECONOMIC WATCH

### Germany sees DM13.7bn outflow

Germany suffered a net outflow of long-term capital in February of DM13.7bn, (\$5.43bn) compared with an inflow of DM16.7bn the previous month, underlining the recent turbulence in the bond market. Foreign investors sold a net DM9.6bn worth of fixed interest bonds (after net purchases of DM26.6bn in January), whereas domestic investors increased their purchases of foreign bonds from DM4.6bn to DM10.6bn. As a result, the surplus on capital account in the balance of payments shrank from DM28.5bn to just DM900m in February, according to the Bundesbank. The figures reflect in part the flight of US mutual funds from the German bond market because of rising interest rates, and partly a correction after the massive inflow of money from Luxembourg in December and January, when certain tax allowances were cancelled.

The current account of the German balance of payments showed an increasing deficit, from DM2.6bn in January to DM4.8bn in February, after unusually high deficits in service payments and net transfers. The visible trade surplus was down just DM200m from January, at DM5.7bn. *Quentin Peel, Bonn.*

Eastern Germany's manufacturing industry orders were 4.5 per cent higher in February compared to January and up 23.9 per cent from a year earlier, thanks largely to a surge in domestic demand, said the German economics ministry.

Swiss consumer prices rose 0.1 per cent in April after standing unchanged in March to give annual inflation of 1.0 per cent, the Federal Statistics Office said.

Bank of Greece governor Ioannis Bouzios said in his annual review of the economy that he expected year-on-year inflation to be steady at around 10 per cent in April.

# No delight at Turkish central bank plan

Few bankers give much credence to the guidelines behind autonomy move, writes John Murray Brown

The Turkish government has moved to restore confidence in the financial system, implementing a new central bank law which strengthens the autonomy of the bank.

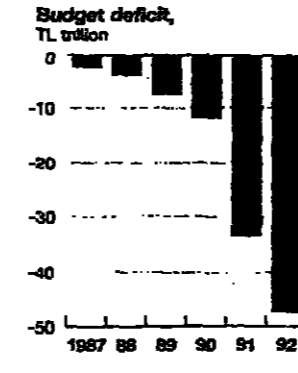
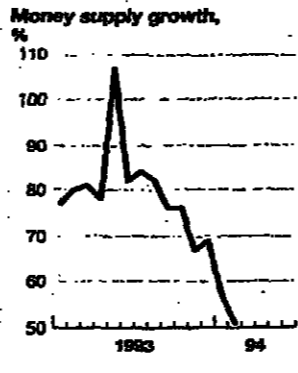
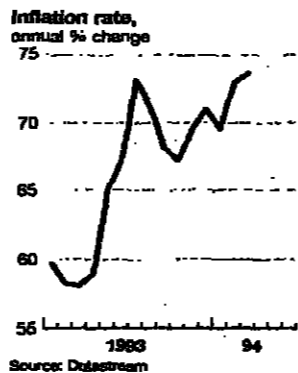
The law also provides for a "lifeboat" to help troubled banks through the current money market turbulence, in the wake of the collapse of three small private banks.

The moves come ahead of this week's mission from the International Monetary Fund, to assess the austerity programme unveiled by the prime minister, Mrs Tansu Ciller, on April 5. The Fund's approval would pave the way for negotiations on a letter of intent and agreement on a standby facility which would in turn open the way for Turkey to return to commercial debt markets.

Tension between the central bank and the Treasury has been at the root of Turkey's economic malaise. Mrs Ciller's lax monetary policy and, in particular, her use of central bank funds to finance the budget deficit has helped fuel inflation by increasing money supply and has been the cause of the resignations of two bank governors since she came to office last June.

The new law limits the extent to which the Treasury can tap the central bank for

### Turkey



short-term advances, reducing the amount from the current 15 per cent of budget appropriations. However, given Mrs Ciller's record, few bankers are giving much plausibility to the broader guidelines aimed at strengthening the autonomy of the bank.

Bankers say the law also fails to address the more awkward issue of the lack of effective supervision of the banking sector, which has been sharply exposed by the current crisis.

The collapses this month of the Tourism and Investment bank (TYT), Marmara Bank and the most recent casualty Impexbank - the small Istanbul trade finance concern for-

merly owned by Mr Asil Nadir, the fugitive tycoon - shocked the financial community, both in Turkey and abroad in the wake of a four-month currency crisis which has seen a 50 per cent depreciation of the lira against the dollar.

Bankers are asking how the government could have approved, last July, the \$215m (£142m) purchase by TYT's parent company Lapis Holding of an 89 per cent stake in Disbank, the reputable trade finance concern in what was then the largest ever Turkish bank takeover. The deal has now been cancelled.

In a further indication of the inadequacy of accounting procedures, brokers point to the anomaly that Marmara Bank reported a 700 per cent nominal rise in profits for the first quarter, according to figures lodged with the Capital Markets Board, the government stock exchange watchdog.

The lifeboat system envisaged under the new law will allow the treasury to provide up to twice a bank's equity to help overcome a sudden run on deposits. The move symbolically draws an official line under the crisis. However, it also underscores concern to see it does not precipitate the failure of one of the larger family-owned banks which, given



Tansu Ciller: lax monetary policy helped fuel inflation *Corbis Press*

the exposure to industrial affiliates, could have widespread fallout for the economy.

It comes amid bitter recriminations between Turkey's state banks and the Treasury, after revelations of the exposure of the state sector to the three

failed private banks.

Mr Ozal Baysal, head of the Turkish Development Bank (TKB), openly criticised the Treasury for not forewarning about the health of TYT, where TKB is said to have had \$30m in foreign currency deposits.

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## Nigerian row worsens over fuel crisis

By Paul Adams in Lagos

Nigeria's military government has passed the blame for Nigeria's chronic shortages of domestic fuel onto the state-owned Nigerian National Petroleum Corporation (NNPC), as the crisis in the nation's oil industry worsens.

An ultimatum, late on Tuesday night, from Lt-Gen Oladipo Diya, chief of general staff, threatened "very drastic measures to redress the situation" if the NNPC failed to ease the scarcity within a week. It is unclear what the regime is threatening. What is more, the corporation is a parastatal monopoly supplier under the direct control of the government since it dismissed the NNPC board last year.

**'For years the Nigerian government has been plundering the NNPC's funds and it is now turning round and blaming the company because it has no money'**

The government says that a tanker of fuel is expected to unload at Apapa dock this week, but this is described by industry experts as "a sticking plaster not a cure".

Queues for fuel in Lagos are up to a quarter of a mile long and some motorists have become used to sleeping overnight while they wait. All of Nigeria's refineries, which had been working well below capacity for some time, stopped producing last month.

The black market price has reached about N12 a litre (about 25 US cents) for petrol. Fuel at the official price of N3.35 a litre is almost unobtainable.

When tankers reach filling stations, the often violent scramble and the increasing use of jerry cans to buy and hoard fuel are making them extremely dangerous. Several people have been reported killed this week in fires at petrol stations in the area around Lagos.

NNPC has oil refineries in Kaduna; it has been producing almost no fuel since a fire last

June, Warri, which is closed for long overdue maintenance until at least July; and Port Harcourt, which has just returned to service after being sabotaged by striking workers in February. Experts believe Port Harcourt is still well below capacity and cannot meet domestic demand.

NNPC has been criticised by the private sector and international donors as corrupt and inefficient. Smuggling of Nigerian fuel is common, encouraged by the large price differential in neighbouring francophone Africa. International oil companies say that the shortage has been caused by NNPC offering unrealistic terms to supply imports.

But the root of the corporation's problems is underfunding.

"For years the government has plundered NNPC's funds and it is now turning round and blaming the company because it has no money," according to a banker in Lagos.

The government faces acute problems in the upstream oil industry as well. Last week Shell Nigeria, which produces half of the country's nearly 2m barrels of oil a day, warned that the government's failure to pay its share of the joint venture costs was sending the industry, which accounts for 95 per cent of all export earnings, into a downward spiral.

The government's arrears to the oil companies have been more than \$500m (£342.4m) since last year and the industry has stopped all drilling and development work, leading to a gradual decline in capacity and a probably cut in the Opec quota.

Shell has also detailed a growing problem of lost production due to community unrest in the oil producing areas leading to violent attacks on company staff and plant.

These "shut-ins" have caused deferred or lost production of 150,000 barrels a day of oil in Shell's operations alone during the past week.

The unrest is fanned by the government's failure to provide even basic infrastructure in the area which produces nearly all of its revenue. The oil companies are bearing the brunt of the attacks from increasingly militant youth leaders who back up growing demands for compensation and facilities with violence.

## Clinton is served with a Chinese recipe

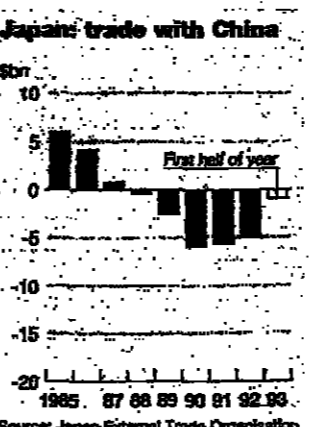
Alexander Nicoll reviews suggestions for a long-term, pragmatic trading partnership

Washington's annual agony over policy towards China should be ended, according to a paper published yesterday by a US think-tank.

President Clinton must decide by June 3 whether, on human rights grounds, to deny renewal of most-favoured nation trading status to Beijing. To do so would increase prices for many goods in the US and seriously damage export and investment prospects for US companies. But to renew MFN without qualification would plunge him into deep water with Congress.

The paper, published by the Institute for International Economics, says the US should drop this repeated self-inflicted wound. Instead, the US should work towards bringing China into the General Agreement on Tariffs and Trade this year and then grant permanent MFN status - as do all other large countries - but make it conditional on Beijing's compliance with its Gatt protocol.

These steps would be part of a large-scale revision of US policy to cease treating China as a communist pariah with a closed economy and instead recognise its growing role in



the world and its relative openness, the paper says.

"US objectives in Asia are most likely to be accomplished by treating China as a strategic partner rather than a back-lash state," says President Clinton's national security adviser, Mr Nicholas Lardy, author of the paper, *China in the World Economy*.

Mr Lardy, an expert on the Chinese economy, bases his argument partly on refuting what he says are false US beliefs about China.

According to some western fears, China is about to become the world's largest economy,

will build ever larger trade surpluses especially with the US, and will do so while keeping its domestic economy closed.

How big is China? Mr Lardy puts China's per capita gross domestic product at about \$1,000, about three times the traditional World Bank measure based on exchange rates, but well below some recent estimates based on purchasing power parity.

Though Mr Lardy can see GDP growth averaging 9 per cent per year until the year 2000 - barring political disruption - he forecasts that the dramatic increase in Chinese pro-

ductivity will slow and that the absolute size of the economy will not match that of the US until 2040.

Even if the per capita growth rate were twice that of the US, income per head would not catch up with that of the US for approximately 150 years. China is still a poor country, but a big one whose role in the world economy is growing rapidly.

It accounts for 2.5 per cent of world trade and is the tenth largest exporter, compared with 0.6 per cent and 30th respectively in 1971, the year before Deng Xiaoping's reforms began. It has probably absorbed more direct foreign investment than any other developing country, is the biggest borrower from the World Bank and raises significant capital on international debt and equity markets.

That it should acquire such a prominent economic position while still run by the Communist party raises particular problems for US policymakers. They look at US trade figures and instinctively demand that China's market be opened to US goods.

But this is based on misconceptions, argues Mr Lardy, as well as statistical aberrations. The figures over-state the US deficit by several billion dollars annually, he says, though not by as much as China claims. (The differences result from treatment of goods passing through Hong Kong).

China has global trade and current account deficits, and the recipient of substantial foreign capital - hardly supporting the contention that the economy is closed. Mr Lardy believes the economy is more open than more regional countries, such as South Korea, which are at the same stage of development.

Beijing's anomalous surplus with the US is partly the fault of the US itself for deliberately limiting exports and restricting export credits and aid programmes - policies which should be reversed, he argues.

Mr Lardy notes that the US, despite its desire to promote in Asia economic co-operation, "is the only country in the region that uses unilateral economic sanctions rather than regional co-operation to promote human rights and achieve other objectives".

The US, he says, should rely as much as possible on multilateral sanctions, including those which could be imposed within Gatt, when China's behaviour falls short of international accepted standards. Having China on the inside is more effective than keeping it out.

Mr Lardy argues that revoking MFN without improving the human rights situation would damage US interests as well as the prospects for further market reforms which, he believes, offer the best hope for political liberalisation.

His call for a change in the US mindset on China will be welcomed by those in the US government who have already brought about a broadening in the Sino-US relationship, evidenced by more frequent, wider-ranging and senior level discussions in the past few months. But it will be anathema to those who argue that MFN is the only real lever which the US has over China to prevent abuses of human rights.

*China in the World Economy*, by Nicholas Lardy, Institute for International Economics, 11 Dupont Circle, NW, Washington DC 20036-1207. \$16.95 (US\$9.95 outside US and Canada)

Hata's minority government faces difficult future

## Japanese PM searches for a political lifeline

By William Dawkins in Tokyo

Mr Tsutomu Hata, Japan's new prime minister, last night met the remaining partners in his depleted coalition to prepare the weakest minority cabinet in post-war history.

The cabinet, to be announced today according to a coalition official, has scant chance of surviving for more than a few months, since it is 56 seats short of a majority in the 296-seat House of Representatives.

It is assured of opposition support for the current year's long overdue budget, agreement on which could be reached by early June. After that, it could fall to a vote of no confidence at any moment, unless Mr Hata decided to resign first.

Mr Hata lost his majority when the Social Democratic party, formerly the coalition's largest member, left the coalition on Tuesday. It split over the centre-right alliance members' secretive formation of a new grouping, Kaishin (Inno-

vation). The Hata administration's chances of long-term survival grew even poorer yesterday when the SDP and opposition Liberal Democratic party agreed in principle to co-operate in parliament.

On the surface, the SDP-LDP link-up looks strange in that they are supposed to be arch-rivals. The socialists were the main opposition party to 38 years of conservative LDP government until the SDP joined the new ruling coalition last year.

Yet the LDP and socialists did in practice co-operate on legislation in parliamentary committees during the LDP's reign.

"They have been in bed with each other since 1955," said Mr Dan Harada, a political lobbyist. Officials from the two parties will meet this morning to discuss details of their co-operation.

Mr Tomichi Murayama, SDP chairman, hinted yesterday that his party might submit a

no-confidence motion against the new government, depending on "future developments". The SDP would, however, support the government on the budget, he said.

The SDP has no plans to rejoin the government coalition, even if Kaishin distanced itself, said Mr Murayama. Mr Hata has asked him to a meeting this morning, in a belatedly courteous gesture, before announcing the planned new cabinet line-up.

Mr Hata needs to fill eight seats in the 21-seat cabinet, including the six vacated by the SDP by its decision to leave the coalition, the foreign minister, which he used to hold and the post of chief cabinet secretary, or government spokesman.

## Japan moves on digital TV plan

By Michio Nakamoto in Tokyo

Japan's Ministry of Posts and Telecommunications aims to standardise digital television technology for satellite, terrestrial and cable broadcasting by 1996, the ministry said.

The plan, the first concrete indication of its firm intention to move towards digital broadcasting, is based on a report by an advisory panel, made public yesterday, which recommends the early development of digital broadcasting technology in line with international trends.

The report, which will form the basis of policy at the ministry, points to the enormous progress in the west towards digitalisation of broadcasting and calls for the Japanese to speed up their move to digital television.

The standardisation of ATV (next generation TV) broadcasting in the US and satellite digital TV broadcasting in Europe is expected to progress strongly in the next year or two, while international standardisation through the ITU (International Telecommunica-

tions Union) is also planned in the future, the report notes.

The publication of the report comes just months after an official caused uproar by indicating that the ministry was keen to promote digital television, even at the expense of Japan's home-grown high definition system, known as Hi-Vision, which is an analogue system.

The electronics industry at the time protested vigorously against the ministry's expressed attitude, on the grounds that Hi-Vision was a technology which the industry itself has promoted avidly and on which the industry, as well as Japan's public broadcaster NHK, has spent vast R&D funds.

However, the advisory panel's final recommendations put Japan firmly on the digital route.

The country already is seen to be behind in the technology race against the US and Europe, which have significantly more advanced plans for introducing satellite digital TV than Japan does.

## Australian retailer in court over fraud case

By Nikki Tait in Sydney

Mr Brian Quinn, chief executive of Coles Myer, Australia's largest retailer, until 1993 and a former member of the Reserve Bank of Australia's board, appeared in Melbourne magistrates' court yesterday, charged with 44 counts of fraud, amounting to \$4.4m.

Mr Quinn, aged 58, was also charged with conspiring to defraud Coles Myer, by falsifying representing expenditure at his private residence as spending for various stores, warehouses and other residences owned by the company.

Commander Allen Bowles, from the Victoria police's fraud squad, told the court that Mr Quinn had spent some \$46.1m on his house at County Terrence, in Melbourne's northern suburb of Templestowe. He said \$4.4m of this was falsely recorded against various Coles Myer locations to disguise the total spending.

The Victorian police have been investigating allegations of corruption at Coles for three years, and have filed a variety of charges against about a dozen people who were either once employed by the company or suppliers to it. These charges have included allegations that secret commissions were paid to contractors, for example, and that quotations were falsified for work done on Coles properties.

Mr Quinn was hailed to appear at a criminal hearing on June 24.

## Canberra caution on interest rates

Australia's consumer price index rose by 0.4 per cent in the March quarter, putting the country's annual inflation rate at 1.4 per cent, writes Nikki Tait. This represents a dip from the December quarter, when the CPI increased by 0.2 per cent, to give an annual rate of 1.9 per cent.

Mr Ralph Willis, the Australia's treasurer, took advantage of the news to stress that there was no reason for interest rates to rise in the "reasonable future", and to criticise dealers who have driven money market rates higher, largely in response to interest rates rises in the US.

Mr Paul Keating, prime minister, added that he believed the bond markets - where yields have also been rising - had lost credibility as a guide to inflationary expectations.

## Sharp decline in Japanese output

Japan's industrial production fell 3.1 per cent last month compared with March last year, the Ministry of International Trade and Industry said yesterday, writes Paul Adams in Tokyo.

The ministry also published figures showing sales by Japan's large retailers fell 3 per cent in March compared with the same month last year. Industrial production, compared with the previous month, was 4 per cent up, but the ministry warned it would show declines during April and May.

Principal participants in the peace process gather for talks in Egyptian capital

## Last push for Palestinian agreement

By Julian Ozmame and Shahrar Idries in Cairo

Mr Yassir Arafat, PLO chairman, and Mr Warren Christopher, US secretary of state, were due in Cairo last night to give a final push to Israeli-Palestinian negotiations on Palestinian self-rule in the occupied Gaza Strip and West Bank town of Jericho.

Mr Shimon Peres, Israeli prime minister, and Mr Yossi Sarid, Israel's foreign and environment ministers, are expected to join Mr Christopher, Mr Arafat and Egypt's President Hosni Mubarak for talks this morning aimed at wrapping up the agreement next week.

Palestinian negotiators said they hoped Mr Christopher would put pressure on Israel to ease some of its security demands and grant more authority to the incoming Palestinian National Authority.

"We hope [Christopher] can do something as representative of one of the sponsors of this peace process, and do whatever is needed to persuade the Israelis to change some of their policies," said Mr Faisal al-Husseini, PLO boss in the occupied territories. "If our control is incomplete and our authority is incomplete then security will be incomplete. We hope the Israelis understand this."



Three men in pursuit of an agreement: Mr Yassir Arafat (left), Mr Warren Christopher and President Hosni Mubarak of Egypt

Mr Christopher was also expected yesterday to present the PLO with the first tranche of 200 vehicles donated by the US to the new Palestinian police force.

At least 30 vehicles were flown into Cairo airport by the US Air Force for a handover ceremony shortly after Mr Christopher's arrival from Saudi Arabia. US officials said

the rest of the vehicles would arrive in days by ship at Egypt's Port Said.

Israel and the PLO said yesterday they still hoped to conclude self-rule talks within days to prepare for a signing ceremony between Mr Arafat and Mr Yitzhak Rabin, the Israeli prime minister, in Cairo next week.

Mr Nabil Shaath, chief PLO

negotiator, said the talks were "going fast. Everybody is working day and night".

The negotiations were at the "stage of final drafting and redrafting", he said, but had still not resolved the serious obstacle - the legal jurisdiction of Palestinian law and courts in Gaza-Jericho. Mr Shaath said both sides were aiming to resolve all issues

except the size of the Jericho enclave and the stationing of a Palestinian policeman on the Allenby bridge border-crossing before a Rabin-Arafat meeting.

These include sensitive matters that touch on sovereignty, such as the ability of the Palestinians to issue their own stamps, passports and currency and to have their own international dialling code.

## Thai police charged over Saudi gem theft

By William Barnes in Bangkok

Thailand's former national police chief, General Sawat Amornwiwat, and six other senior policemen have been charged with negligence and malfeasance in connection with the extraordinary theft of millions of dollars worth of gems from a Saudi prince in 1989.

The police's dilatory and incompetent investigation into the theft, and series of unexplained murders of Saudi diplomats and a businessman in Bangkok, annoyed the Saudis so much they came close to severing diplomatic relations. They stopped issuing work permits to

Thai nationals which cost Thailand up to \$1bn a year in lost remittances; 250,000 Thais were working in Saudi Arabia in 1989, only some 30,000 work there now.

"I have been waiting for four years and nothing has happened. But I believe General Pratin [Santiprapok, the current police chief] is an honest man and he wants to make everything clear to the world," said Mr Mohammed Said Khoja, Saudi Arabia's chargé d'affaires, yesterday.

A police lieutenant general, who headed the original investigation into the theft, and seven others, were

charged with embezzlement last year. The scandal dates back to 1989 when a Thai cleaner stole 90kg of jewellery - including a family heirloom: a diamond the size of a pigeon's egg - from the palace of Prince Faisal Abdul Aziz al Saud in Riyadh.

The thief, Kriangkrai Techamong, was arrested with exemplary speed after his return and many of the jewels recovered. However, Saudi pleasure quickly faded when it was discovered that most of the gems returned were fakes.

Relations between the two countries plummeted when gunmen shot dead

four Saudi diplomats in broad daylight between 1989 and 1990 in the streets of Bangkok.

The Thai police's lacklustre investigations threw up a bizarre parade of murder suspects, including religious zealots, drug dealers, business rivals, Pakistani gangsters and international terrorists.

Saudi unhappiness reached its acme when it was revealed that a prominent Saudi businessman, Mohammed al-Ruwaily, who disappeared around the time of the murders, had probably been abducted and killed by a group of Thai policemen.

### CORRECTION NOTICE

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- \* Interest period: April 21st, 1994 to July 21st, 1994
- \* Interest payment date: July 21st, 1994
- \* Interest rate: 4.625% per annum
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## Hard road for Natal's rural voters

By Patti Waldmeir  
in Mtengwane, Natal

"No, no, no, no, no, I'm not allowed to go there." Shaking his head and speaking with resignation, Induna Cele, headman of the Mtengwane settlement in southern Natal, explains why he did not cast his vote at the local polling station, only a spear's throw away across an intervening hill.

Asked why, Mr Philip Mavundla, a fellow villager, has a simple reply. "Because they are ANC and we are IFP," he says, referring to the area's two rival parties, the Inkatha Freedom party and the African National Congress.

The polling station, at Nkonka school, is located in an ANC area. The Mtengwane villagers and the hundreds of people in the voting queue at the school agree that no IFP member would dare come there to vote. Everyone would know them, said the voters at Nkonka school, and they would not come out alive.

Unfortunately for Inkatha, there is no polling station in Mtengwane, or in any nearby IFP area. So the people of the village have had to travel at least 10km to vote in the white town of Port Shepstone and other white areas.

It is not clear why this is so: perhaps Inkatha's late entry into the electoral process prevented the Independent Electoral Commission from setting up a polling station in time. Perhaps the IEC was naive enough to think the nearby Nkonka school would do for both warring communities. Neither reason explains why the IEC could not have brought one of its mobile polling stations to Mtengwane.

But if Inkatha was disadvantaged by this omission, the kwaZulu "homeland" government headed by Chief Mangosuthu Buthelezi, Inkatha leader, did all it could to overcome this handicap: the government sent buses to collect the residents of Mtengwane and other Inkatha areas, ignoring ANC areas where transport was also needed - to take them to vote in white areas. And it would be a brave villager who declined to go with them.

On the other side of the hill at Nkonka school Mr Cedric Sokhulu, deputy presiding officer and former principal of the school, insists all are welcome at the polling station, which is protected by a handful of police. But he acknowledges most voters are ANC supporters - except for one elderly woman who insisted she was prepared to vote for only one man: Jesus (and proceeded to insist that Mr Sokhulu point out his picture on the ballot paper).

Other elderly voters showed up with folded pictures of the ANC's Mr Nelson Mandela pressed into their hands by anxious children fearful that granny or grandad would otherwise vote for the wrong party. They, too, demanded that Mr Sokhulu show them their leader's picture on the ballot paper.

Far below, in the white town of Hibberdene, the polling queue reflected - even more than at Nkonka school and in Mtengwane - a picture of the new South Africa. Thousands of black voters queued for hours in a 2km string which wrapped around the local library, and there were only 12 rather lonely looking whites in the queue. They said they were sure later that the prospect of sharing one long queue with blacks may have put them off.

# Civil servants cling to the last barricades

White bureaucracy remains a bastion of the old South Africa, writes Patti Waldmeir



"A lot of things are going to change, but everything will remain the same." That might, in general, be the motto for the new South Africa. But in this particular case, it is the reflection of a senior minister in the outgoing government on the future of the country's 1.7m strong public service: administrator of apartheid, employer of the last resort for poor Afrikaners, and bastion of the old South Africa.

The public service is about to get a new boss, almost certain to be Mr Nelson Mandela. And he knows that the real power in South Africa lies not in the parliament in Cape Town, which his African National Congress will dominate, but in the civil service and the security services, which remain the preserve of white Afrikaners, many of them conservatives.

Mr Mandela's ANC has made big sacrifices to ensure the loyalty of the public service - which includes employees of central government, "homeland" bureaucracies and the staff of public corporations.

Indeed, one of the main reasons for agreeing to share power with the long-ruling National party in a government of national unity was to ensure that the white-dominated public service did not sabotage a new black government from within.

To that end, the ANC and the National party struck a deal in the last days of constitutional negotiations in November last year to protect



A long queue of people snakes round the ground outside a polling station yesterday in the black township of Soweto near Johannesburg.

the pension rights of (white) civil servants while providing for affirmative action in the highest echelons of the service. National party negotiators were ecstatic: they had made it too costly to sack large numbers of top white civil servants by guaranteeing they would

receive full pension payouts.

In return, black South Africans are to be brought into director-general level positions; but the process of black advancement will be gradual and continuity in the civil service will be guaranteed.

Only the taxpayer will lose.

The only conceivable way in which whites can be retained and blacks advanced will be by adding to the already bloated civil service payroll. Several forces are likely to swell the payroll in the near term: affirmative action, the creation of nine new provincial bureaucracies, and the demands of the ANC's "reconstruction and development programme", with its education, health care and service provisions demanding more teachers, nurses and other government employees.

Any rise will reverse a recent trend toward containing the size of the civil service. From 1980 to 1992, public service employment rose by 31 per cent, nearly four times the rate of the private sector. But between 1991 and 1992, the rise slowed to only 0.5 per cent.

The ANC's reconstruction programme says that by 1999

the civil service must reflect the racial composition of South Africa: Black Africans 76 per cent; whites 13 per cent; Indians 2 per cent and coloureds 9 per cent according to the latest census.

Overall, the composition is not too far from that now. Although the government no longer publishes a racial breakdown of the service, 1992 figures show half the service was already black African. That figure is estimated to have risen to 60 per cent and only a quarter of the service is now estimated to be white.

However, almost all power within the service lies in white male Afrikaner hands. Figures from the South African Institute of Race Relations show that in 1992, only 0.5 per cent of the top 3,200 positions were held by black Africans. The situation has improved since then, but not dramatically.

Changing the balance radically will be a slow process, because apartheid has deprived Africans of the experience they need to be appointed to senior levels.

Few ANC officials are qualified to run government departments - except in foreign affairs, where their years in exile will help - though some have recently been trained at British government expense. And the large pool of bureaucrats from black homelands provide few technically competent individuals - and far too many who rely on nepotism and corruption to survive.

With an estimated 15 per cent of South Africa's economically active population - and nearly one quarter of economically active whites - employed in the public service, its fate is central to the country's future.

## Election judge prepares for not proven verdict

By Michael Holman and Mark Suzman in Johannesburg

Shortly before South Africa went to the polls, the man responsible for the administration of the elections and for giving a verdict on their acceptability made a quip that could become prophetic.

What, Mr Justice Johann Kriegler, head of the Independent Electoral Commission, was asked, were his hopes and fears about the historic ballot? "I hope that it will go well," he shot back, "and I fear that it won't" - prompting laughter in which he joined.

Last night, the 62-year-old judge, a highly regarded and long-serving member of South Africa's appellate division, was at the heart of a crisis which, if unresolved, could see that fear realised.

It was not surprising that organisational problems would accompany the massive exercise, which involves more than 200,000 officials and 9,000 polling stations. But the critical issue, which will not readily be resolved, involves the validity of ballots which failed to have stickers attached carrying the name and logo of the Inkatha Freedom party, a late convert to the poll, and photograph of Chief Mangosuthu Buthelezi, its leader.

The contradictions and confusion surrounding the acceptability of votes cast using such ballots must to a great extent be laid at the feet of a man whose legal skills at times appear to have deserted him.

Yet his credentials for the task are impressive. No observer doubts his impartiality, having acted during a distinguished career at the bar for

clients across the political spectrum, from the Rev Beyers Naude, the radical cleric who was in the forefront of Afrikaner resistance to apartheid, to the extreme right-wing AWB.

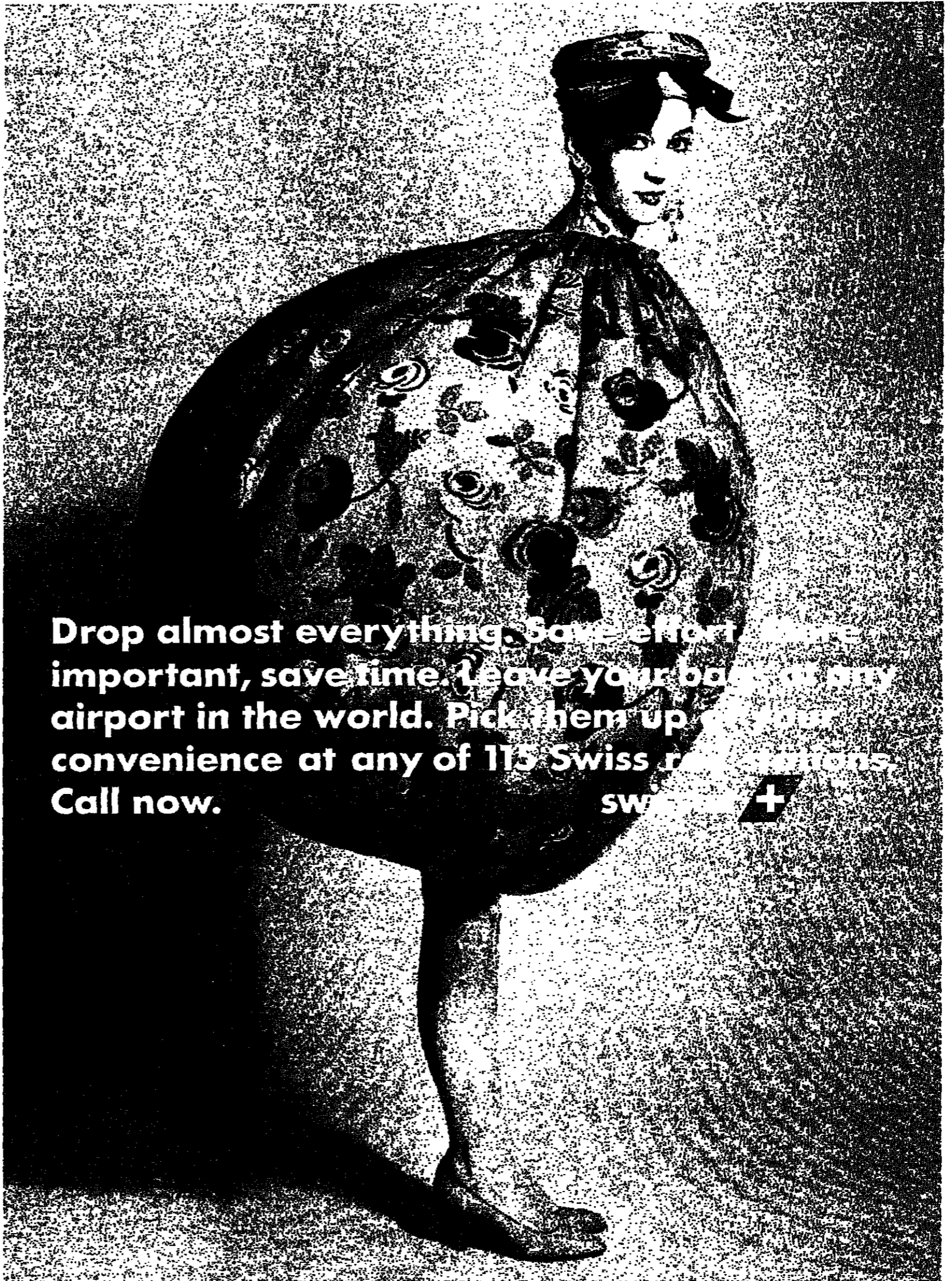
He took up the position of head of the country's Independent Electoral Commission last December, bringing to press conferences the persona of a slightly tetchy judge dealing with impatient young barristers. But above all he has projected what seems to be an overriding determination to conclude that the election will be substantially free and fair.

Speaking in Brussels earlier this year he said: "Should we come, heaven forbid, to the conclusion that we cannot so certify [the elections substantially free and fair] our country will be plunged into disaster. Self-evidently that is the result we will strain to avoid with all we can muster."

Yesterday his suggestion that disputed papers could have what he called a "lesser value" in comparison to accepted votes produced widespread confusion. Determining this value, was, he said by way of explanation, "a quantity thing, a distribution thing, a percentage thing, a general pattern thing... one will have to look at the thing from various angles to see what it does add up to."

In addition to sorting out the problems in balloting, Judge Kriegler will have to say whether the final outcome is free and fair.

If, as still seemed likely yesterday, he decides it is, some political parties may use his own convoluted words to dispute his pronouncement.



## Mandela fulfils dream

Patti Waldmeir witnesses dawn at Inanda, Natal

Mr Nelson Mandela's long walk to freedom ended yesterday on the concrete verandah of a small rural secondary school in Natal, where he cast the first national vote of his 75 years, and fulfilled the dream of a lifetime.

In an emotional ceremony held just after dawn at the Ohlange High School in the black township of Inanda outside Durban, Mr Mandela repeated the eloquent words with which he addressed the court which in 1964 sentenced him to what were to be 27 years in prison: "I have fought very firmly throughout my life against white domination and I have fought very firmly against black domination... I cherish the idea of a new South Africa where all South Africans are equal and where all South Afri-

cans work together to bring about security, peace and democracy."

The stately Mr Mandela, dressed in a simple beige shirt buttoned tight at the neck and casual trousers, flashed his radiant smile for the cameras as he held his ballot poised above the polling box for several seconds before dropping it in with the cry, "Going, going, gone."

None the less, the grey-haired African National Congress leader appeared visibly strained by the three-month election campaign. Surrounded by at least 20 security guards, he looked tired and drained, and every bit his age.

"This is for all South Africans an unforgettable occasion. It is the realisation of the hopes and dreams we have

cherished over the decades: the dream of a South Africa that represents all South Africans. It is the beginning of a new era," he said afterwards.

Speaking outside in the school yard, the Mr Mandela repeated the message he stressed incessantly in the final days of campaigning. "We are very concerned about minorities, especially about the white minority," he said, adding in a radio interview only seconds after his vote: "We would like the white community to realise that we cannot build this country without them. We are appealing to them to regard themselves as an essential part of the transition to democracy."

It was an appropriate end to a 75-year struggle to create a truly non-racial nation.

## CENTRAL BANKS PUSHED TO CENTRE STAGE

## Venezuelan policy under fire as governor and directors resign

By Joseph Mann in Caracas

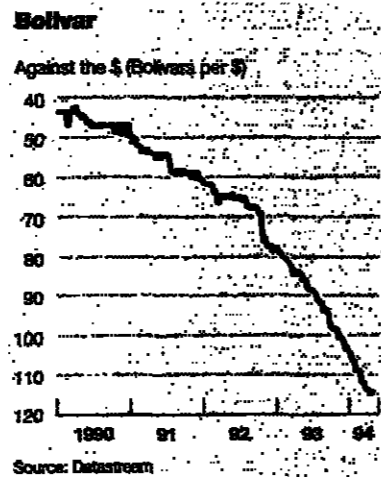
The administration of Venezuelan President Rafael Caldera is facing serious questions about the credibility of its monetary policy following the abrupt resignation on Tuesday of the president of the central bank, Mrs Ruth de Krivoy. Three members of the six-strong board of directors also quit.

The resignations have raised doubts about the future independence of Venezuela's central bank, which achieved a high degree of autonomy under a law promulgated only 16 months ago.

The reaction from bankers and economists yesterday was generally negative. "A lot of investors were sceptical about the Caldera government's economic programme even before this happened. Ruth de Krivoy's resignation under pressure is a serious blow to investor confidence," said an economist at a large investment bank in New York.

Mrs de Krivoy, a widely respected economist, was appointed to a five-year term as the central bank's chief executive by President Carlos Andrés Pérez in April 1992. She took over the bank in the midst of a political crisis and left as the Venezuelan economy, now in the second year of a recession, faces a host of problems.

Mrs de Krivoy and the other board members resigned because they felt the administration was trying to deprive the bank of its independent status. In her letter of resignation to President Caldera, the outgoing bank head said she believed "the autonomy of a central bank is indispensable for monetary stability, economic development and the



welfare of the population."

"I do not wish to be an obstacle to the policies of your government," she continued. "But I cannot participate in actions that essentially violate the fundamental principle justifying my presence as head of the bank: my contribution has one limit: that of my personal convictions."

Over the last few days, the executive has pressed the central bank to participate in an agreement which included the obligatory reduction of interest rates on commercial loans every two weeks, and to eliminate high-yield zero coupon bonds which set the ceiling for commercial bank interest rates on loans. These moves are part of the administration's efforts to reduce inflation, which was 46 per cent in 1993.

But since taking over as the central bank's chief two years ago, Mrs de Krivoy allowed real interest rates to



De Krivoy: quits in protest

remain high in order to protect hard currency reserves. She argued up to the end that while high interest rates were painful for the domestic economy, they were necessary to avoid capital flight.

Venezuela's gross international reserves fell by 14 per cent during the first quarter of this year, compared to a decline of only 4 per cent for full-year 1993. The failure of Banco Latino, the country's second largest bank, last January and an ensuing crisis in the financial system have contributed to Venezuelans' rush to buy dollars.

Mrs de Krivoy's departure halted, at least temporarily, an agreement announced last Sunday night by the executive branch to reduce commercial bank interest rates.

President Caldera, who began a five-year term last February, was highly critical of the central bank's policy on interest rates and its "crawling peg"

devaluation of the Venezuelan currency, the bolivar, during the 1993 presidential campaign.

While he publicly supported the idea of an independent central bank, he apparently considered that the institution should work with the executive and that its policies on interest rates and devaluation should change.

The bolivar, which has been falling steadily against the dollar for several years, depreciated by 25 per cent in 1993, and has fallen by 9 per cent thus far this year.

Following the announcement of Mrs de Krivoy's resignation, officials of the Caldera administration tried to reassure investors and citizens in general by saying neither exchange controls nor a major devaluation were planned.

Taking over as head of the central bank, at least temporarily, is Mr Omar Bello, the bank's first vice-president and a veteran officer at the institution.

Mrs de Krivoy's departure places Mr Caldera in a quandary. If his appointment to replace her as central bank president is perceived as a personality willing to follow the executive line on monetary policy, investor confidence will fall once again.

If he appoints someone viewed as independent to restore confidence in the bank's autonomy, the government may find it difficult to influence policy in areas it considers crucial.

Ironically it was a respected executive from the private sector and a strong advocate of free-market policies, Mr Gustavo Roosen, who was chosen by President Caldera to pressure central bank officials on a host of delicate issues such as interest rates and devaluation.



Last survivor of five brothers, Mr Ed Nixon attends a memorial service for his older brother Richard in California. The former US president was buried yesterday at Yorba Linda, California, where he was born 81 years ago.

## Mexico rides out volatile transition

Newly independent bank adheres to anti-inflationary policies, writes Damian Fraser

Mr Miguel Mancera, the head of Mexico's newly independent central bank, has had a testing month. In the four weeks since the bank won its autonomy, Mr Mancera has confronted exceptional volatility in Mexico's financial markets and has defended the peso from a threatened devaluation.

That the peso has so far survived the onslaught is in part due to the management skills of Mr Mancera and his colleagues. Working closely with the finance ministry, Mr Mancera let domestic interest rates rise sharply to 18 per cent last week, convincing investors of the government's commitment to a stable exchange rate and drawing in money from those who calculated rates had reached their peak.

This rule is not new to Mr Mancera who ran Mexico's central bank for over 11 years before it was made independent. While Mexico has periodically suffered political or economic turmoil, Mr Mancera's advocacy of low inflation, and fiscal and monetary prudence has been unwavering, and much criticised by those who have argued for policies more conducive to economic growth.

A generation older than the rest of Mexico's economic cabinet, the 61-year-old Yale-trained economist was working in Mexico's central bank when the rest of the economic cabinet were just beginning primary school. He is known

for his personal frugality, dislike of appearing in public, and methodical working habits.

Mr Mancera says policy during April would have been the same without independence since he enjoys a "perfect understanding" with the finance ministry. Over the past month he has tried to calm the jittery financial markets after the rise in US bond yields and political turmoil after the assassination of presidential candidate Luis Donaldo Colosio.

## Mancera is known for his frugality and methodical working habits

Measures included permitting the peso to weaken against the dollar to the limit of its pre-set band, spending central bank reserves, and raising interest rates.

Despite praise from the financial community, many businessmen complain that the policy of high rates is hurting economic growth, and believe a devaluation and lower rates may be in the eventual interest of the economy. Mexico's economy grew by just 0.4 per cent last year, in part because the gov-

ernment kept interest rates high to defend the currency from speculators, while the current account deficit reached 7 per cent of GDP.

Mr Mancera defends government policy as having brought inflation down to an annual rate of 7 per cent from nearly 100 per cent six years ago. He is convinced low inflation is vital for stable economic growth and in the best interests of the poor. He believes central bank independence will institutionalise a commitment to low inflation.

Under the constitution, the central bank is required to procure price stability as best it can, and is not obliged to lend money to the government at below market interest rates, thereby ensuring that an increase in public spending need not lead to an expansion in the money supply.

The terms of the governor and four deputy governors are fixed for six to eight years and staggered so as not to coincide with the president's.

However, by the fourth year of a president's office the president will have named three of the five bank officials, giving him nominal effective control of the bank. In Mexico, where the president rules almost like an absolute monarch, many are sceptical that the bank could withstand presidential pressure to soften monetary policy.

The central bank's main weakness is that the finance ministry keeps control

of exchange rate policy. The Central Bank therefore has to set interest rates so that the government can meet its exchange rate target.

Mr Mancera says that a potential conflict between exchange rate and interest policy exists in most countries with an independent central bank. The governor said that he is able to influence the inflationary consequences of a weak exchange rate by using the bank's legal powers to sell federal bonds as a means of mopping up excess liquidity.

Nevertheless, if the governing Institutional Revolutionary Party wins this August's presidential election, as seems probable, the possibility of a conflict with the executive branch is slight.

Mr Ernesto Zedillo, the PRI's presidential candidate, began his professional life working under Mr Mancera in the central bank, and rose to become Mr Mancera's principal economic adviser. Mr Mancera's son, Carlos Mancera, was, until November last year, Mr Zedillo's chief of advisers.

The leftist opposition has generally criticised central bank independence as undemocratic, although Mr Cuauhtémoc Cárdenas, the principal opposition presidential candidate has yet to take a public position on the issue. If Mr Cárdenas wins the election, he may find that Mr Mancera's control over monetary policy turns out to be his best defence against a financial crisis.

## Income tax on the cards for Cuba

By Canute James in Kingston

Introduction of income tax and a reduction in state funding for a range of economic enterprises are among measures to be debated by Cuba's national assembly on Sunday.

The special session, called in response to the deteriorating economy, will also review the effect of economic changes implemented over the past eight months.

Increasingly concerned about its budget deficit, the government announced a 50 per cent cut in the budget for the armed forces last month, saying the military should "cost the country as little as possible". Given the central role of the armed forces in Cuban politics, the reduction is a telling indicator of the nature of the economic problems facing the country, diplomats in Havana said.

Introduction of income tax is intended to recapture billions of pesos in circulation which government officials say are being used by Cubans to purchase hard currency. The government announced last year that Cubans were free to hold foreign currency.

The assembly debate will effectively be a continuation of the regular session which was held last December. That reviewed the government's more liberal attitude to foreign currency, foreign investment and increasing private and co-operative ownership of farms and a range of small businesses.

Since then, however, there have been signs that the island's economy is bucking. Economic problems have worsened over the past three years following the break-up of the Soviet Union, Cuba's main trading partner, and the failure last year of the sugar harvest which caused a shortfall in foreign earnings.

The assembly session comes a week after the government reorganised the administration of the economy, creating new ministries and suggesting a move away from central planning on which decisions have been based since the revolution 35 years ago.

The government has also adopted a more liberal attitude to exiles. A meeting in Havana last week attended by 300 leaders of exile communities concluded with a decision by the government to allow all exiles to return to the island whenever they want.

However, Cuban-American leaders in Florida said yesterday they could not accept the invitation because they would be punished by the US government for violating Washington's economic embargo on the island.

## Argentina and UK to hold oil talks

By John Barham in Buenos Aires

Britain and Argentina are to hold talks in July on joint oil exploration in waters surrounding the Falkland Islands, two years after a previous round of oil talks collapsed.

A British official said negotiators would focus on the next phase of exploration. The Falklands government plans a second licensing round for seismic explorations beginning in July and running until March 1995.

The Falklands selected two companies to carry out initial seismic surveys shortly after the 1992 negotiations failed. Argentina broke off talks after failing to agree on demarcation of Falkland waters bordering its territorial waters.

International oil companies say co-operation with Argentina is important, given the need for heavy investments in a disputed zone.

A UK official said successful joint management of fish stocks showed the sovereignty dispute could be put aside while both sides pursued practical interests, but Argentina's foreign ministry argues oil is different because it is a non-renewable resource, with important legal and tax ramifications. Both sides fear concessions over oil would imply recognition of the other's sovereignty claim.

The Falklands remain a fixation in Argentina, which still claims the islands, despite defeat in the 1982 conflict with Britain. President Carlos Menem says Argentina will "recover" the islands by the year 2000.

Argentine security forces have raided a secret training camp in thick forest close to Buenos Aires used by paramilitary rebels linked to right-wing army rebels who have led four mutinies since 1987.

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NO. 8/319

The Government of Arab Republic of Egypt (ARE) has got a Loan from the Saudi Fund for Development.

Part of this Loan will be used for purchasing the equipment needed for El Arish power plant interconnection 220 K.V. Overhead Transmission Lines (El Arish Interconnection).

The Egyptian Electricity Authorities invites interested Tenderers to submit sealed tenders for the supply of Conductor & Earthwire accessories for the a/m Lines in two envelopes system (Technical & Commercial) at the specified time accompanied by a bid security equals to \$10,000 (Ten Thousand US Dollars) attached with the technical envelope.

The Commercial envelope should contain the rest of the tender security to complete the value to be equal to 2% from the total offer value. Technical offers for this tender will be opened at 12 o'clock noon Cairo time on 30/5/94 and the financial offers will remain unopened until the complete evaluation of the technical offers.

Tender documents will be available in EEA Cashier at the address shown below against a receipt for payment of US Dollars 100 into Account No 880/80/14 of the National Bank of Egypt (main branch - Cairo) together with an application (original stamped + 2 copies) addressed to Director General of Central Purchases Department.

Tenders shall remain valid for a period of 150 days after the date of Tender Opening. Interested tenderers should obtain further information regarding the Tender Documents from Egyptian Electricity Authority.

ATT Director General of Central Purchases Department  
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Relaxed banking rules  
due for early passage

By George Graham in Washington

Measures to allow US banks to open branches freely outside their home states could become law as early as next month after the easy passage of an interstate banking law by the Senate on Tuesday.

Similar legislation has already passed the House of Representatives, and, since neither chamber even required a voice vote on the one controversial issue, a final bill is expected to be ready for President Bill Clinton to sign before Congress breaks for the Memorial Day holiday at the end of May.

The US's patchwork of banking legislation has frayed at the edges over the years, and many of the restrictions on activity across state lines have already lost meaning.

All states except Hawaii already allow out-of-state holding companies to own a bank

within their borders, but groups have to establish a separate subsidiary in each state, rather than simply opening a branch.

Automated teller machines already allow bank customers to draw money outside the state in which they have an account, but the new law would also enable them to make deposits or cash a cheque inside the bank.

"The lives of bank customers nationwide will improve considerably as a result," said Senator Christopher Dodd of Connecticut, who now supports the bill, although for years it was his insistence on attaching an amendment restricting banks' insurance activities that blocked the measure.

Leaders in both chambers have firmly kept the bill clean of extraneous amendments in an effort to ensure that it does not get bogged down again.

Although the Senate and House versions are similar in

their general thrust, some differences remain to be reconciled before the bill can finally become law. One critical issue is the extent to which foreign banks will be allowed to open branches.

Current law allows a foreign bank which chooses not to set up a full US subsidiary to open a branch in one state only. The House version would allow it to open branches in more than one state, but this is firmly resisted by the Democratic majority in the Senate. Bankers in Kentucky are particularly agitated about the issue, and opposition is led by the Senator Wendell Ford, who is the majority whip.

The Treasury has urged Congress to allow broader foreign branching, arguing that US banks essentially have this right in the European Union under the "single passport" rules, which allow a bank established in one EU country to open branches in all others.

## Top US Haiti adviser quits

The US State Department's top adviser on Haiti is stepping down following a prolonged conflict with exiled President Jean-Bertrand Aristide over how to return democratic rule to Haiti. AP reports from Washington.

Mr Lawrence Pezzullo decided to resign after meeting US secretary of state Warren Christopher last Saturday, according to the State Department.

Mr Pezzullo is a former foreign service officer who was called out of retirement last year to become special adviser on Haiti.

Almost from the outset, his relations with Mr Aristide were strained by tactical differences.

Mr Pezzullo urged Mr Aristide to reach out to opposition forces in Haiti as a means of broadening his base with the aim of leaving the Haitian mili-

tary increasingly isolated.

But Mr Aristide rejected such an approach. He believed the US should take the lead in arranging for his return to power. He has been a strong proponent of tighter economic sanctions against Haiti.

Several members of Congress' black caucus sided with Mr Aristide and argued that Mr Pezzullo resign, holding him responsible for the continuing impasse.

مركز الامم

## Fresh push to curb aid for shipbuilders

By Guy de Jonquieres, Business Editor

The world's leading shipbuilding nations plan a final attempt in Paris next month to conclude an agreement curbing international subsidies after more than four years of negotiations.

The talks, which broke off acrimoniously in late March, will resume in the week of May 23 on the basis of a draft text prepared by the chairman, Mr. Stefan Bohman, Sweden's ambassador to the Organisation for Economic Co-operation and Development. The negotiations have been given renewed impetus by the possibility that failure to agree would prompt the Clinton administration to back bills in Congress which would authorise US retaliation against ships built in subsidised foreign yards.

Retaliation, in the form of a ban on such vessels entering US ports, would severely disrupt maritime transport and could trigger an international trade war.

The seven delegations involved in the talks insist an agreement must be a comprehensive package deal. But though they have agreed some of its proposed elements - including an end to direct budgetary subsidies - they remain divided on several important issues.

One of the biggest breakthroughs to date has been acceptance by Japan and South Korea of western demands for an anti-dumping code, providing for penalties on shipbuilders which pursued "injurious pricing" strategies.

However, negotiators say a complex wrangle has developed over the procedures for settling disputes over alleged violations of the proposed subsidies rules.

The US, which exports few ships, wants strict procedures administered by an independent panel of judges.

But its demand is opposed by other countries, which fear it could make it harder to sell vessels to US shipowners. A further stumbling block in the talks is the Jones Act, the long-standing US legislation which requires a fixed proportion of cargo passing through American ports to be carried in vessels built in US yards.

Though other delegations have pressed for repeal of the Jones Act, most accept this is politically unlikely and that, in any case, the legislation affects only a small fraction of the world's shipping fleet.

Several delegations say they are ready to settle for a US undertaking that tonnages covered by the Jones Act will not exceed recent levels. However, the European Union, under pressure from France, is calling on the US to improve its offer.

Some delegations suspect France of using the Jones Act as a pretext to try to torpedo the negotiations. They say that, without subsidies, most French shipbuilders could not compete with more efficient lower-cost yards, particularly in Asia.

The third difficulty is over a US demand for a provision in the proposed agreement to allow governments to require vessels financed by "home credit" schemes, which benefit their national shipping fleets, to be built in national yards.

Though other delegations blamed the breakdown of the negotiations in March on the last-minute tabling of this demand, most now seem less strongly opposed to it.

However, some say they are still concerned that its real objective is to enable the US to expand its merchant shipbuilding capacity by assisting the conversion of military yards to commercial purposes.

The negotiations, held under the auspices of the OECD, also involve Finland, Norway and Sweden.

## Wellcome 'price cut' in Aids drug war

By Peter Wise in Lisbon

Wellcome has cut the price of its Aids treatment AZT by 56 per cent in Portugal, after losing a hospital contract to a Portuguese company marketing a cheaper version in a challenge to Wellcome's worldwide patents, the Portuguese company said yesterday.

Mr. Augusto Paiva dos Santos, director-general of Farma APS, said his company had been awarded a contract to supply the Sao Joao Hospital in Oporto with 6,000 250mg capsules of Apo-Zidovudine, a form of AZT manufactured by Apotex of Canada, at 33 per cent below Wellcome's previous price.

He said that Wellcome had since lowered the price of Retrovir, the UK company's version of AZT and its second biggest selling drug, by 50 per cent and 56 per cent respectively to tenders to supply two other Portuguese hospitals.

Decisions on the contracts to supply the Joaquim Urbano Hospital in Oporto with 6,000 250mg capsules and the Sao Jose Hospital in Lisbon with 5,000 100mg capsules have not yet been made.

But Farma APS said its prices were lower than those tendered by Wellcome.

"The fact that Wellcome has lowered its prices to less than half of what it is charging in the rest of Europe shows that it must be making a fabulous profit on AZT," Mr. Paiva dos Santos said.

His company was investigating the possibility of registering Apo-Zidovudine for sale in other European Union countries and in eastern Europe.

The Portuguese government has authorised the sale of Apo-Zidovudine on the grounds that AZT is a drug in the public domain and that Wellcome's application of Retrovir to treat Aids did not give it the right to prohibit the sale of other versions.

Wellcome has said it will challenge the authorisation as a breach of its patents.

## End of an eastern love affair

Kieran Cooke detects Malaysian disenchantment with Japan

In the mid-80's Dr Mahathir Mohamad, Malaysia's prime minister, declared his country's "Look East" policy. If Malaysia was to reach its goal of being fully industrialised by the year 2020, said Dr Mahathir, it must learn from Japan. In particular it should make use of Japanese technology.

There are signs now that the Malaysian love affair with the Japanese way is ending. The main issue is technology transfer - or the lack of it - with attention focused on Malaysia's national car industry, one of Dr Mahathir's pet projects.

At the end of last week Proton, the country's car manufacturer, announced that by the middle of the year it would begin casting its own engine blocks. The move is seen as an important step towards more self-sufficiency at Proton.

More than 120,000 Protons are produced each year in co-operation with Mitsubishi of Japan. The first Proton rolled off the assembly line at the company's factory outside Kuala Lumpur in 1985.

Proton says domestic content of its cars is well over 70 per cent. However, the core technology and high-value items, including much of the transmission system, is still imported from Japan. Proton has been working with Mitsubishi for 10 years. Proton feels the Japanese have been too slow to transfer technology.

Mr. Nazmi Mohamed Salleh, a Malaysian who last year replaced a Mitsubishi executive as Proton's managing



Mahathir: car industry a pet project

director, says that Proton does not have sufficient economies of scale to make 100 per cent local content a realistic proposition. "The costs involved would be too high," says Mr. Nazmi. "Instead Proton may well opt for global sourcing."

Next month Dr Mahathir will be making a private trip to France. It is believed the prime minister's main host will be Peugeot Citroen. The French car manufacturer has been cultivating contacts in Malaysia for several years.

For Proton the recent rise of the ringgit, the Malaysian dollar - has given new urgency to the question of high-value Japanese imports.

Proton has been one of the success stories of modern Malaysia. More than 70 per cent of the cars on Malaysia's roads are now Protons. Production is

being increased to 150,000 per year. Last year more than 17,000 Protons were exported, most of them to the UK where it is among the best selling cars at the lower end of the market. The success of Proton exports has been a cause of friction with Mitsubishi, as the Japanese car maker is concerned that the Malaysian car is eating into its own export markets.

After a decade in the fast lane Proton is facing a number of problems. Though the Wira, Proton's new model launched in the middle of last year, has given a boost to sales, the highly protected home market is at near-saturation point. This year a second car project, undertaken in co-operation with Daihatsu of Japan, is due to come on stream.

Late last year Proton announced it was expanding

its sales in Europe. But those plans received a setback last month with the death of Mr. David Brown, the British businessman who engineered the highly successful launch of the Proton in the UK. Mr. Brown was to have taken a 55 per cent stake in a new Anglo-Malaysian joint venture company which would market the Proton in continental Europe.

"The ringgit has fallen by more than 6 per cent against a basket of currencies this year," says a Kuala Lumpur motor industry specialist. "That has helped Proton's exports. But its yen imports have become more expensive - that's why its vital that more technology is transferred from Japan. Either that or Proton has to find cheaper suppliers elsewhere."

The increasingly difficult relationship between Proton and the Japanese is part of a more general disenchantment between Malaysia and its powerful regional neighbour. The Japanese have been less than enthusiastic about Dr Mahathir's plans for the formation of a new trading body, the East Asia Economic Caucus.

Japanese companies like to maintain tight control over local ventures, and rely on overseas stock market listings. Malaysian investors have been frustrated that they have not been given more chance to take equity in often highly profitable local ventures controlled by Japanese companies. Malaysians also say that Japanese companies frequently fail to promote locals to senior positions of responsibility.

## Gatt acts to sweep up old disputes

By Frances Williams in Geneva

Gatt's anti-dumping committee yesterday adopted a controversial panel report on Norwegian salmon only after the chairman said it did not set a legal precedent for future disputes.

The move reflects a drive by the General Agreement on Tariffs and Trade to clear old disputes before the new tougher dispute settlement procedure under the World Trade Organisation comes into effect next year.

The panel report in question ruled in late 1992 that the US had not complied with Gatt's anti-dumping code in putting duties of up to 35 per cent on imports of Norwegian salmon.

However, several signatories of the voluntary code, including paradoxically Norway itself, were unhappy about some aspects of the report's analysis. They agreed to adopt the report only after assurances from Mr. José Garea Lina of Brazil, chairman of the anti-dumping committee, that it did not apply to countries not involved in the specific dispute "nor does it represent binding legal precedents applicable to other disputes".

Gatt officials admit that the present dispute procedure has conflicting objectives in trying to settle trade rows by mutual agreement and developing Gatt case-law.

The WTO's semi-judicial disputes system will, by contrast, focus almost exclusively on securing conformity with strengthened fair trade rules.

Separately, the members of the anti-dumping committee agreed to set up a panel, under current procedures, to investigate a complaint by Brazil that US duties on imports of cotton yarn from Brazil violate Gatt rules.

**BMW may seek Mexico partner**

BMW is considering seeking a local partner with which to develop a planned assembly facility in Mexico and will make a decision by June, writes John Griffiths.

The German carmaker said it was "too early" to predict likely production volumes or employment levels, but confirmed Mexican reports that it intended to have the facility operational, assembling cars from kits, by mid-1995.

Its own projections of the investment involved in the plant and setting up a distribution network are understood to be much smaller than indicated by Mexican government sources, at around DM300m (£120m).

The company said the cars would be sold only in the Mexican market.

## India opens highway investment

By Shiraz Sidhwa in New Delhi

The Indian government is offering incentives to private foreign and domestic companies to invest \$4.7bn in 27 projects to construct bypass roads, bridges and expressways in 16 Indian states. This is the first time construction of India's national highways has been opened to the private sector, as part of India's liberalisation efforts.

Foreign private investors will be permitted to hold 100 per cent equity and regardless of the size of the project, would

be exempted from special clearances usually required from the government's Public Investment Board and the Cabinet Committee on Economic Affairs.

The Ministry of Surface Transport, which is offering the projects on a build, operate and transfer basis, says the government guarantees "a minimum reasonable rate of return" to investors, without specifying what rate would be considered reasonable.

The ministry has recently signed a memorandum of understanding with Infrastruc-

ture, Leasing and Financial Services, a Bombay-based construction company partly owned by Orix Corporation of Japan, and the International Finance Corporation, Washington, to build a four-lane 10.14km asphalt-concrete road bypassing Panvel town on the Bombay-Pune national highway.

Toll rates applicable for each project would be decided in consultation with the government and the builder would be expected to operate the expressway for a period of 20 to 25 years.

## Israeli companies look to Egypt

Israeli telecommunications companies, denied direct access to Middle East markets by an Arab boycott of their country, say they hope to use Egypt as a springboard to launch their products in the region, Reuters reports from Cairo.

Delegates from the six companies, in Egypt to attend a trade fair, said they were looking for partnerships with Egyptian companies which might produce their goods under licence for sales elsewhere in the Middle East.

Egypt is the only Arab state to have signed a peace treaty with Israel and is exempt from an Arab League boycott of the Jewish state.

Mr. Walid Ashkenazi, an executive with the Israel Export Institute, said the com-

panies were the first Israeli telecommunications companies to exhibit in the Arab world.

Mr. Elsha Ben-Nachum, sales manager at cables manufacturer Teldor, said his company would be discussing possibilities of joint ventures with Egyptian companies.

The Arab boycott of Israel also blacklists companies with major investments in the Jewish state, but there have been signs that this "secondary" boycott is slipping.

Mr. Ron Brown, US trade secretary, on a visit to the region in January, said a number of US companies on the boycott blacklist had been prominent exhibitors at a trade show in Riyadh that month.

Another Israeli company at the Cairo show said it was looking for joint-venture agreements with Egypt or other African countries to produce its emergency back-up generators.

One of the companies, national telecommunications operator Bezeq, is using the occasion to inaugurate a direct telephone line linking Israel and Egypt.

"This is a big breakthrough. It is the first direct link between Israel and an Arab country," said Bezeq official Mr. Daniel Charbit.

The terrestrial fibre-optic line can carry thousands of calls between Cairo and Tel Aviv. At present calls have to be routed via submarine lines to Italy, Mr. Charbit said.

### EGYPTIAN ELECTRICITY AUTHORITY EEA

ABBASSIA, NASR CITY, CAIRO, EGYPT  
TELEX: 92097 POWER UN, FAX 2616512  
EAST QUANTARA 220/66/22 KV SUBSTATION

The Government of Arab Republic of Egypt has obtained a loan from the Saudi Fund for Development "SFFD". A part of this loan will be applied for eligible payments for East Quantara 220/66/22 KV, 2x125 MVA Substation.

EEA invites international eligible tenderers to participate in the following international tenders (tenderer should be the manufacturer for main equipment) for executing East Quantara 220/66/22 KV Substation project for the following packages:

1. PACKAGE "A": Adj. No. 28/94, for 220 KV equipment (on turn key basis).
2. PACKAGE "B": Adj. No. 29/94, for 66 & 22 KV equipment, and (4) x 25 MVA 66/22 KV Transformers, (on turn key basis).
3. PACKAGE "C": Adj. No. 30/94 for two 125 MVA, 220/66/22 KV Power Transformers, (on franco basis).

Tender documents are available at EEA cashier, against a receipt for payment of the following amounts, to EEA Account No. 880/90/14 "National Bank of Egypt", main branch, Cairo:

1. US Dollars 2000 for packages "A" or "B".
2. US Dollars 1000 for package "C".

The bank receipt will be enclosed with a purchase application (1 original and 2 copies) and addressed to the General Director of Central Purchasing Department, clarifying in detail: Tenderer's name, local Agent's name, address, telephone, fax & telex numbers, in Egypt and in tenderer's home country. Tenders (Technical & Commercial) will be submitted according to tender documents in a sealed closed envelope on 27.7.94.

The technical envelope shall include all tenderer's documents submitted according to "EEA General and Special Conditions". The commercial envelope shall include only EEA's "Quantities and Prices" schedules, where only the technical envelope will be opened at 12.00 pm, while the commercial envelope will be kept intact, to be opened later for responsive tenderers. Tenders will be valid for 150 days after tender opening date.

A provisional sum of 2% of the total lump sum price of the tender will be submitted, and divided in the following manner:

- An amount equivalent to LE 500,000 will be enclosed with the technical envelope.
- The rest of the 2% after, excluding the A/M amount will be enclosed with the commercial envelope.

A pre-tender meeting will be held, on 27.6.94 to clarify any inquiry raised by participating tenderers.

This summer,  
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FINANCIAL TIMES

TO SAVE ALL THESE TREES WE HELP CHOP DOWN THIS ONE.

Tropical hardwood trees are more valuable to loggers than other trees in the rainforest.

High prices for hardwoods ensure that loggers have no qualms about destroying other trees that stand in their way.

So a WWF project in Costa Rica is researching ways of felling a tree without dragging down several others around it. And how to remove it without hollowing a path through the surrounding forest.

If the rainforest is used wisely, they can be used forever. Help WWF prevent the rainforest from being cut down by writing to the Membership Officer at the address below.

WWF  
World Wide Fund For Nature  
200, Victoria Road, London, W6 6PL, UK

ARAB REPUBLIC OF EGYPT  
EGYPTIAN ELECTRICITY  
AUTHORITY (EEA)

ADVERTISE ADJUDICATION NO. 128/93  
SUPPLY OF INSULATOR STRINGS FOR EL  
ARISH INTERCONNECTION 220 K.V.  
OVERHEAD TRANSMISSION LINES  
NORTH SINAI DEVELOPMENT PROJECT  
SAUDI FUND FOR DEVELOPMENT LOAN  
NO. 8/319

The Government of Arab Republic of Egypt (ARE) has got a Loan from the Saudi Fund for Development. Part of this Loan will be used for purchasing the equipment needed for El Arish power plant interconnection 220 K.V. Overhead Transmission Lines (El Arish interconnection).

The Egyptian Electricity Authorities Invites Interested Tenderers to submit sealed tenders for the supply of Insulator strings for the a/m Lines in two envelopes system (Technical & Commercial) at the specified time accompanied by a bid security equals to \$20,000 (Twenty Thousand US Dollars) attached with the technical envelope.

The Commercial envelope should contain the rest of the tender security to complete the value to be equal to 2% from the total offer value. Technical offers for this tender will be opened at 12 o'clock noon Cairo time on 30/5/94 and the financial offers will remain unopened until the complete evaluation of the technical offers.

Tender documents will be available in EEA Cashier at the address shown below against a receipt for payment of US Dollars 300 into Account No 880/90/14 of the National Bank of Egypt (main branch - Cairo) together with an application (original stamped + 2 copies) addressed to Director General of Central Purchases Department.

Tenders shall remain valid for a period of 150 days after the date of Tender Opening. Interested tenderers should obtain further information regarding the Tender Documents from Egyptian Electricity Authority.

ATT Director General of Central Purchases Department  
TELEX 92097 FAX 2616512

## Boardrooms retain 'old school ties'

By Richard Donkin,  
Labour Staff

Evidence that the old-school tie approach to the selection of non-executive directors still persists among many of Britain's biggest companies emerged yesterday in a survey by a leading firm of accountants.

The report by KPMG Peat Marwick into the role of non-executive directors also found that many non-executives were not receiving vital information in spite of the recommendations of the Cadbury report into corporate governance.

Chairmen's appointments have traditionally drawn from the old-boy network whereas the Cadbury report suggested that non-executive appointments should be made via a nomination committee.

Evidence also emerged that the number of individuals with multiple directorships remained high even though the changing role of the job is creating greater demands on time and expertise.

The report, compiled from 235 responses to questionnaires sent to 430 of Britain's biggest companies, found that more than half of all non-executive appointments of directors surveyed were made by the chairman alone.

"It will be interesting to see if, in the future, the chairman's influence wins in this respect," said Mr Gerry Acher, KPMG's

head of audit and accounting. The report found that while companies were good at providing financial information to non-execs they often failed to provide other details.

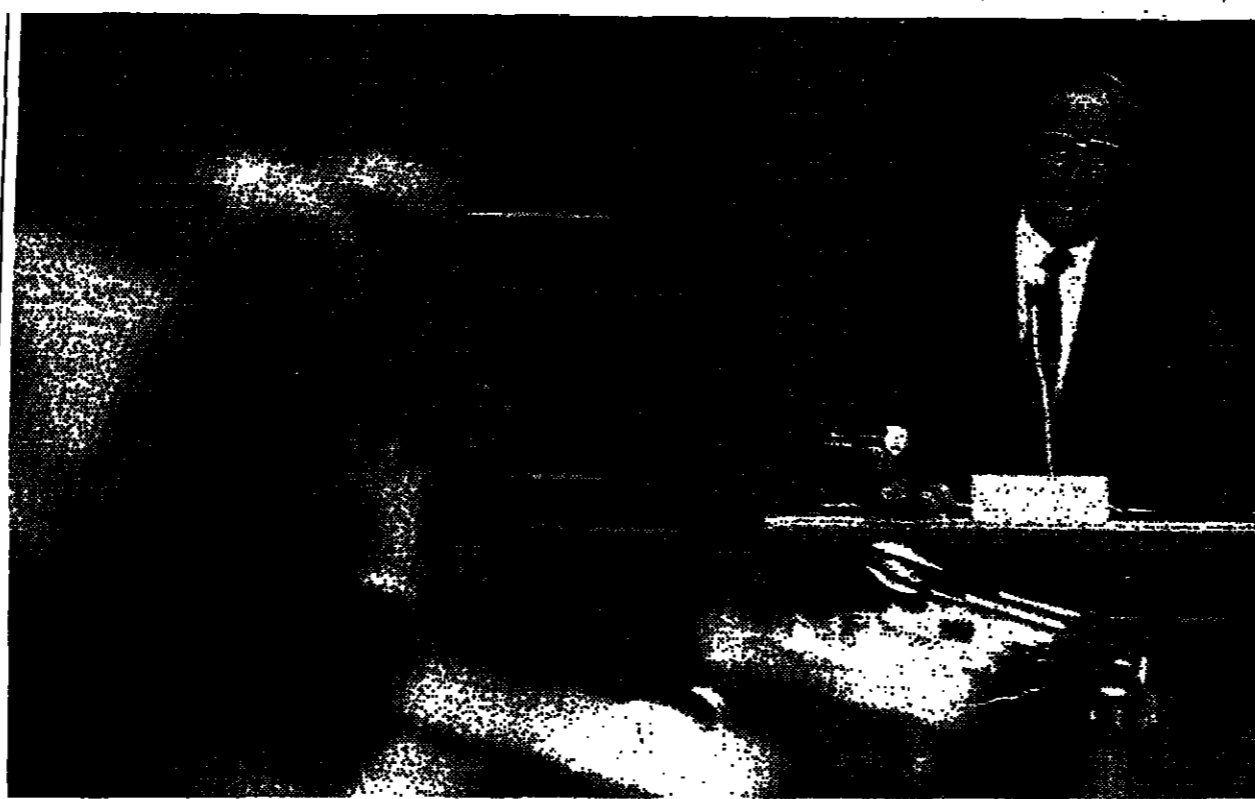
This was most evident in some of the newer, yet strategically important, non-financial areas such as customer satisfaction, quality and management performance. More than half the directors said they did not receive information on senior management appraisals, quality indicators or comparisons with companies recognised as best-practice leaders.

"There are clearly areas where matters of strategic importance and the receipt of vital, pertinent information need to be brought into line," said Mr Acher. "The non-execs' role should be to add to shareholder value rather than just protect shareholder value."

More than 60 per cent of respondents held more than three non-executive posts, 18 per cent holding more than five. Only 18 per cent held just one post. The highest number of directorships recorded among the replies was 13.

On average, respondents were spending 20 days a year on the role and a third of this time was spent in preparation.

The survey indicated that women still had little impact on boardrooms. Compilers said female non-executives comprised less than 10 per cent of the named replies.



The British and Irish governments must push the Ulster peace process forward on a bilateral basis in the absence of developments in the province, Mr Albert Reynolds, the Irish prime minister, told backbench MPs from both parliaments at Dublin Castle.

## Gun dispute on Channel tunnel route

By Jimmy Burns

The operation of a full passenger service on the Channel tunnel route could face further delays because of an unresolved dispute between Britain and France over extra territorial police powers.

A series of meetings between UK Home Office and French ministry of the interior officials have failed to reach agreement over whether French police can carry their guns without restrictions throughout the tunnel link.

The cross-border powers of British and French police comes under the umbrella of a lengthy protocol agreement initiated at Sangatte in November 1991. It technically came into legal force last year.

The protocol gives extra-territorial powers of investigation, search and arrest to police officers of both sides in "control" zones at the international terminals in London and Paris, and in the shuttle terminals at Cheriton and Coquelles. The British have agreed that French police may carry weapons when stationed at the fixed control zones at Cheriton. But they are resisting French demands that these powers be extended to officers moving between tourist and freight terminals at Cheriton, as well as on the through passenger trains arriving and departing at Waterloo.

Under a draft operational plan drawn up by Home Office officials, French police officers would be asked to deposit their guns and travel unarmed with their UK counterparts. British officials fear the

unrestricted movement of armed French police could lead to situations in which weapons are used, with potential for complex legal wrangles.

British police sources say there is also some concern that the French view was summarised by a police official: "A gun is regarded as part of the uniform. Not to be allowed to carry it is equated to a dereliction of duty."

## Britain in brief



### Malaysia signals over contract ban

The Malaysian government believes that the British press has stopped writing negative stories about Malaysia. This emerged yesterday in comments made by deputy foreign minister Abdullah Fadli Che Wan and reported in Bernama, the country's national news agency.

In the strongest suggestion yet that Malaysia will eventually lift a two-month-old ban on public contracts for British companies, he said the lack of recent critical reports in the British media was "a good beginning."

"If the British media continue to be responsible in their reporting [about Malaysia], there may come a time when we will consider lifting the ban," he was quoted as saying.

"If they [the British media] choose to do the thing we expect them to do, we would reciprocate with the right things. We are sensible, practical and pragmatic people."

But he said the government would decide to lift the ban only when it was sure the British media had stopped writing offending articles. "It would be pointless if the government lifts the ban now, and then the same thing happens again," he added.

The stock exchange has accepted an offer from Scottish Enterprise, the official economic development body, and Scottish Financial Enterprise, which represents the Scottish financial sector, to try to create a junior market for smaller companies in Scotland to meet shortfalls in its treatment of small companies.

### Jobs go at GM-Isuzu unit

About 300 jobs - 13 per cent of the workforce - are to go at IBC Vehicles, the Luton, Bedfordshire-based joint venture between General Motors and Isuzu of Japan which makes the Vauxhall Opels four-wheel-drive leisure vehicle and Isuzu panel vans.

The job losses, intended to be all voluntary, mainly reflect sharply falling demand for the Midi van and what the company said yesterday is a continuing need for productivity improvements. Currently the plant employs 2,250.

However, still-rising demand for the Frontera means that plans to move to single shift working from the current double dayshift system have been cancelled. About 80 per cent of IBC's output is exported, and the Midi in particular has been hit by one of the worst slumps in continental Europe's commercial vehicles market since the second world war.

### Black workers get TUC seats

Three seats on the ruling general council of the Trades Union Congress, the umbrella body for UK unions, are to be set aside for representatives of black workers, it was agreed yesterday. Union leaders passed the rule change to allow the 46-member council to be extended to include a black woman and a black representative from both a large and a small union.

### Lautro sets penalty record

Lautro, the regulator for the life insurance industry, once again set a new record for the penalties it inflicts on life insurers for failing to meet its standards, by imposing a \$200,000 fine on Premium Life.

The fine follows a second routine inspection visit carried out by the regulator last spring, at which Lautro's enforcement staff found that Premium Life had not acted to correct problems identified at a first visit the previous year.

Particular concerns were the failure to monitor effectively both the direct sales agents and a number of the firms of appointed representatives through whom Premium Life sells its products, as well as a failure to check that its direct sales staff were competent and of good character.

### Oxbridge pessimism

More than half of final-year students at Oxford and Cambridge universities are so pessimistic about employment prospects that they have not applied for any jobs at all.

The survey of 1,500 final-year students at the two universities found that only 46 per cent of Cambridge final-year students, and 53 per cent of those at Oxford, had applied to employers.

Almost a quarter decided to "take a year off" after graduating. "Milk round" presentations to undergraduates, still held by more than 100 employers at the two universities, appeared to be ineffective, with less than 40 per cent of students attending any events.

### Euro-manifesto published

The opposition Labour party put the finishing touches to a manifesto for the European elections which will endorse the party's commitment to a minimum wage but leave working hours to employers and unions.

Labour hopes the manifesto will destroy Conservative claims that it is committed to enforcing a 35 hour, four day week and scrapping Britain's veto on controversial legislation. The manifesto, drawn up by a committee led by Mr Neil Kinnock, the former Labour leader, will be published at the beginning of the party's Euro campaign, three weeks before the June 9 election.

### Plan for Scots share trading

A pilot scheme to develop a new mechanism for trading in the shares of small companies could get underway in Scotland later this year, as part of the plan launched on Tuesday by the London Stock Exchange.

## Stars that shine in Brussels unseen at home

Britain's 32 Conservative and 45 Labour members of the European parliament have an image problem. Few electors can name their MEP, and few bother to vote: the turnout at the last election in 1989 was the lowest in the European Union.

On current indications, that dubious honour will fall to Britain again on June 9, when voters will elect 84 MEPs to an expanded parliament. Barring an unexpected turnaround, MEPs will continue to be the invisible men (and women) of British politics.

Cross the channel to Brussels and Strasbourg, the twin seats of the parliament, and the picture changes. There, Britain's MEPs are highly respected for their skills in exploiting the parliament's great and growing power. MEPs from both parties have been appointed to chair committees, or to help run the parliament as vice-presidents. No national delegation has a higher profile.

The contrast irritates MEPs. Most say they work at least as hard as MPs, committing to parliamentary and committee sittings for 46 weeks a year, and handling around 50 con-

stituents' inquiries a week on issues from customs problems to planning permission for second homes.

"It works far harder than I did as a businessman, and for far less pay," says a disgruntled Conservative. "The so-called European parliament gravy train is a myth. There is nothing glamorous about taking 150 flights a year."

The contrast also surprises continental MEPs such as Mr Klaus Hansche, leader of the German socialist delegation, who says the British have brought a unique combination of aggression, wit and procedural dexterity to the parliament. Mr Claude Cheysson, a French MEP who formerly served in both president Mitterrand's cabinet and the European Commission, says the British delegation is "by far the most effective" in the parliament.

Behind the contrast lies a paradox: Britain's MEPs may be ignored at home, but they take the parliament more seriously than almost any other

delegation. Drawn from the mainstream of their parties - Labour academics and trade unionists, Conservative professionals and businessmen - they have built on the traditions of Westminster to exploit the parliament's rules to the full.

Their influence can be seen clearly during the parliament's monthly plenary sessions in Strasbourg. Superficially, the parliament makes a sharp contrast to the overcrowded, claustrophobic chamber at Westminster. There is none of the passionate argument which characterises the Commons, and very little drama. Voting, electronic and virtually instantaneous, rarely follows debates, underlining the point that the two are only loosely connected.

Yet the British have shown that there can be spontaneity. Many MEPs were surprised by their use of time set aside for questions to the commission to make detailed points rather than broad statements. Many

now follow suit.

The British are also assiduous attenders. Britain's unique single member constituency system means prolonged absences would be quickly exploited by political opponents. Continental MEPs elected under the list system can afford to spend more time on domestic politics.

But there is more to it than just turning up. Most MEPs say the influence of both Tory and Labour MEPs has increased as the number of Euro-sceptics has fallen. Labour now fields less than half a dozen sceptics, isolated within an overwhelmingly pro-European party. "These are yesterday's battles," says Mrs Pauline Green, the British Labour leader.

The issue is more controversial for the Conservatives, who have formed a parliamentary alliance with the European People's party of continental Christian democrats. Publicly, Conservative leaders distance themselves from the EPP's determined federalism. Pri-

vately, Conservative MEPs admit that the delegation is overwhelmingly integrationist. Sir Jack Stewart-Clark, Conservative MEP for East Sussex since 1979 and a vice-president of the parliament, says the party is being "held to ransom" by a handful of Westminster Euro-sceptics.

Asked whether he is a federalist, he says: "If anybody came to me and said I had gone native I would say they need their heads examined." He pauses for thought before adding: "If we want to be a coherent unit, we have got to be more unified."

Once many of Britain's MEPs saw the job as a training ground for Westminster. Few now do, although three Labour MEPs who have won Commons seats are leaving the parliament in line with party rules banning the "dual mandate."

Many more, like Mr David Martin, Labour MEP for Lothian and vice-president for institutional affairs, say the parliament offers MEPs the chance to play a crucial role in

scrutinising Europe's institutions. "This is not a rubber stamp parliament," Mr Martin says. "We do actually change and influence the progress of legislation in ways that the average Westminster backbencher could not hope to do."

A Conservative MEP is threatening to ask the European parliament to investigate the Department of Trade and Industry's administration of a European Union structural fund for customs brokers.

The inquiry would be the first by the ombudsman's office, which is being set up under the Maastricht treaty on European union. The ombudsman, who will have wide powers to investigate EU institutions, will be appointed after the European parliament elections on June 9.

Mr Christopher Jackson, MEP for East Kent, says there have been virtually no payments from the scheme, set up in 1992 to help customs brokers to diversify following the implementation of the EU single market in January 1993.

### LEEDS PERMANENT BUILDING SOCIETY RESULTS FOR SIX MONTHS ENDED 31 MARCH 1994

• Pre-tax profits increased by 37.1% compared to six months ended 31 March 1993 to a record level of £123.7m  
• Total charge for provisions for bad and doubtful debts decreased by 38.0% compared to six months ended 31 March 1993  
• General reserve now exceeds £1m and the ratio of total assets to liabilities is 1.54% (compared to 1.48% at 31 September 1993)

RESULTS	31 March 1994	31 March 1993	31 March 1992
Net interest receivable	231.3	200.5	223.3
Other income and charges	51.1	51.7	52.5
Total net income	282.4	252.2	275.8
Administrative expenses	(108.8)	(114.1)	(103.5)
Operating profit excluding provisions	173.6	138.1	172.3
Provisions for bad and doubtful debts	(51.4)	(47.4)	(84.1)
Profit on sale of properties	-	4.9	-
Pre-tax profit	122.2	95.6	88.2
Net interest receivable after charge for provisions	180.3	153.1	139.2
General reserve	1,004.1	981.8	914.7
Total assets	19,572.3	19,485.0	19,348.4

"All of these achievements are a demonstration of the collective efforts of the staff and the strength of our products and our continued commitment to a customer first philosophy. Our efforts will continue to be directed towards the pursuit of the group's strategy."

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## Satellite dishes replace corsets in retail price index

By Graham Bowley

Mutton, candles, tram fares, trolleybus fares and backslung corsets have gone. Satellite dishes, cameras and condoms have arrived.

These are just some of the changes since the retail price index started life as a cost-of-living index 80 years ago, a birthday to be celebrated by the Central Statistical Office today.

In 1914 the index was an estimate of the effect of price rises on the welfare of working-class people, so food, rent, clothing, fuel and light made up the largest part of the basket of goods used.

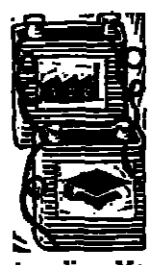
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## TECHNOLOGY

Italian industry and universities are coming together as the state loosens its grip on research planning, writes John Simkins

# The personal touch



The tourist authorities at Massa, on the coast of Tuscany, and the port of Marina di Carrara a few miles north, suffer from different aspects of the same problem. The currents are denuding Massa's beach of sand while filling Carrara's harbour with deposits.

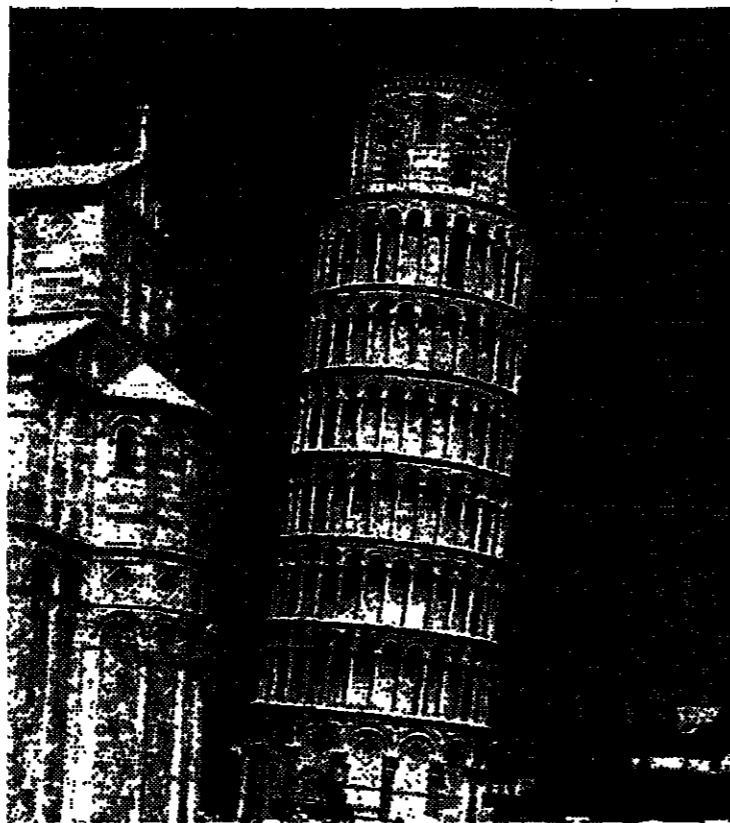
When Massa heard the port had to be dredged, it expressed an interest in having some sand back. But was it polluted? A study by the Pisa Research Consortium concluded that at 3m down the sand was perfectly suitable for sunbathing.

The consortium is one of nine attached to universities set up in the 1980s to help meet a need not fully catered for in Italy's highly centralised and bureaucratic research system: to transfer innovative technology from universities to industry. Francesco Archetti, general director of the Milan Research Consortium, describes them as "merchant banks for research, setting up design projects which people in universities carry out".

His consortium is, however, directly involved in a project called *Impro*, which has Ecu5.5m (£4.3m) of funding and comes under the European Union's Esprit information technology research initiative. In collaboration with research bodies and companies including SGS-Thomson, the French-Italian group which is the world leader in integrated circuits, the consortium's computer scientists are developing a tool to provide built-in quality. The consortium believes it improves on existing programs in that it forecasts out-of-control situations and diagnoses where the manufacturing process is going wrong.

The *Impro* approach has involved applied research, with consortium staff working on shifts at the Milan plant of SGS-Thomson, which is sufficiently pleased with the project to have introduced the second version of the technique at its factories worldwide. The tool is being refined a third time and could eventually be introduced at all European semiconductor plants.

The Pisa and Milan consortiums each have an annual budget of Lbn (£2.1m) and were set up by IRI, the industrial state holding company, and the National Research Council



Tipping the balance: Pisa has 2,400 researchers but a population of only 100,000

(CNR) which is the biggest of the public-sector research bodies with more than 250 units, about 100 of which are inside universities.

The state plays a bigger role in research planning than in most OECD countries and the most common complaint is about excessive bureaucracy. "Italian researchers are very aware of the legal framework within which they operate and can quote the reference numbers of a wide range of laws," notes a recent British Council study.

But in the same way that the country's dominant state-controlled industry is being unwound by privatisation, a little freedom is filtering into the academic system. This year, in line with reforms set in motion by Antonio Ruberti, former universities and research minister and now EU education commissioner, universities will be handed control over their own budgets, which will force them to face tough spending choices.

Moreover, a university's base-line funding could be affected by the

ministry's view of its efficiency, including its research performance. This implies a departure from the traditional *a pioggia* approach to research funding in which resources are distributed like a shower of rain, evenly but thinly, with insufficient attention paid to the respective merits of projects and sparse evaluation of results.

The reforms should encourage stronger ties between universities and industry, which are weak compared with the rest of northern Europe, at a time when Italy is trying to tackle its budget deficit. "This should produce an electric effect but I don't think it has sunk in yet," says a foreign observer.

One university rector who is aware of the challenge is Luciano Modica, at Pisa. "We can't hope any longer that the money will just arrive. We must contact industry and offer our services." Research contracts at Pisa, including the consortium, amount to only 3 per cent of the university's budget. "This is too little," says Modica. "It ought

eventually to be 15 per cent."

The irony is that Pisa is overflowing with researchers - there are 2,400 in a town with a population of 100,000. Besides the university and consortium, there is a cluster of CNR units and the elite college of Scuola Normale Superiore founded by Napoleon. One three-year course at the college for science graduates is sponsored by the chemicals group Montedison and ENI, the state energy group.

Within the consortium, besides the environmental technology centre which conducted the Marina di Carrara study, there is a space technology centre which, together with the aerospace company BPD, is developing advanced thrusters for space propulsion.

"Because of its futuristic character, this project could not have been undertaken in strictly industrial surroundings," says Mariano Andreucci, head of Pisa Research Consortium.

One approach Pisa university intends to follow is to compete for big contracts attracting public funds, such as the Mediterranean basin environmental programme. Also, it will offer its laboratories as incubators to small companies developing products. On another front, at the request of the Fiat motor group, the university is setting up a training course for using supercomputers in simulation tests.

One reason why university research has had a largely academic orientation, says Modica, is because contact with industry was felt to be the domain of CNR. Indeed, the five-year *progetti finalizzati* - targeted projects - chosen by CNR remain a main point of contact between researchers and industry.

But CNR operates within a bureaucratic straitjacket typical of a public-sector research system which benefits big companies familiar with red tape. Small enterprises rely more on the constant dynamic of Italian business - personal contact. This throws up centres of excellence and, as one professor put it, makes the Italian research picture *maculato*, or non-uniform.

The personal touch is likely to remain the main lubricator, even given reforms. "Our visiting cards are our graduates," says Modica. "They often return to Pisa and say: 'Our company needs this.'"

Next week: South Africa

Documents are going digital. Electronic printing "on demand" is likely to become as common in offices, factories, universities and libraries as voluminous files of paper and shelves of books are today. Some companies already save time and money by storing, sending and printing their information digitally.

Xerox, the US document processing company, has even invented a new term for this. Just as people are getting to grips with the information superhighway, it has come up with the notion of the document superhighway. There are even "on ramps" and "off ramps". In the form of equipment such as document scanners and printers to link users to the new digital communications networks (the data highway) being set up worldwide, notably in the US.

As with many announcements in the computer and electronics world, the message Xerox sought to get across in New York last week was somewhat overwhelmed by the breathless show business nature of its presentation. It mixed in news about improved equipment, software to integrate the stages in the life of a document from creation to printing, and alliances with other companies to help develop the manufacturing and operating standards for future products and services.

Beneath the hype, though, Xerox's basic message was simple: that the worldwide users of the many billions of business, government, educational and other documents would increasingly be able to collect, store, distribute and print them electronically where, when and in what form and volume they pleased - "the ability to plug in and publish anywhere and everywhere," as Peter van Cuylenberg, Xerox executive vice-president, puts it. This would mean big savings in logistical and transport costs, which E.B. Donnelly, the US commercial printer, says can account for more than half the cost of a document.

"Today," adds van Cuylenberg, "you can pick up and telephone anywhere and call anywhere else. It should be the same with documents and publications." But there is a long way to go before this digital dream is realised and the offset printing industry loses large chunks of business to electronic techniques. Current digital technology allows only black and white printing with colour highlights, though Xerox says colour is on the way. Full offset quality (using plates and ink) will still be demanded by many document users.

## Digital dream come true

Xerox is hoping for a document 'highway', writes Andrew Fisher

Xerox recognises this. "They're not going to roll over and play dead," says Paul Allaire, the group's chairman, about the offset printers. "We understand that." Even so, it intends to capture as large a slice as possible of the section of the offset market which could eventually go digital. This amounts to some \$33bn (£26bn) worldwide, according to a study by the US Department of Commerce and Gartner Group, a consultancy.

Electronic printing 'on demand' is likely to become as common in offices and libraries as files of paper and shelves of books are today

While commercial book printing could also become digital eventually - some educational publications are already printed this way, especially in the US - the main switch from offset is expected to occur in the more mundane area of business forms, training manuals, brochures and newsletters. Offset printers will still compete for this business, as will other companies in the digital document business such as Hewlett-Packard and Kodak.

Document users who have started taking the digital route have achieved significant savings. Tektronix, the Oregon-based computer graphics, video system and measurement company, can now print its complicated product manuals electronically at a day's notice compared with up to 28 days by conventional methods. It can insert changes more easily and its whole printing operation

runs in line with the product manufacturing process. At the Los Angeles county health department, responsible for six hospitals and 53 clinics, annual savings of some \$230,000 have been made by moving to digital methods. Massachusetts Publishing saved 26 per cent of the cost of one job for a client wanting bulky files sent to Europe; it sent them electronically to the UK for digital printing.

The industry buzzword for all this is "connectivity". John Seely Brown, Xerox's chief scientist, describes it as "taking the slides off the boxes [the high-speed document scanners, storage devices and printers] and making the machines truly modular". Towards the end of 1994, it will sell new software called DocuSP (document services platform) to integrate the boxes and link them with personal computer-based desktop publishing operations.

Looking to the future, Xerox is entering into alliances with more than 50 information technology concerns to speed the development of new open systems which can be used by all equipment and software suppliers.

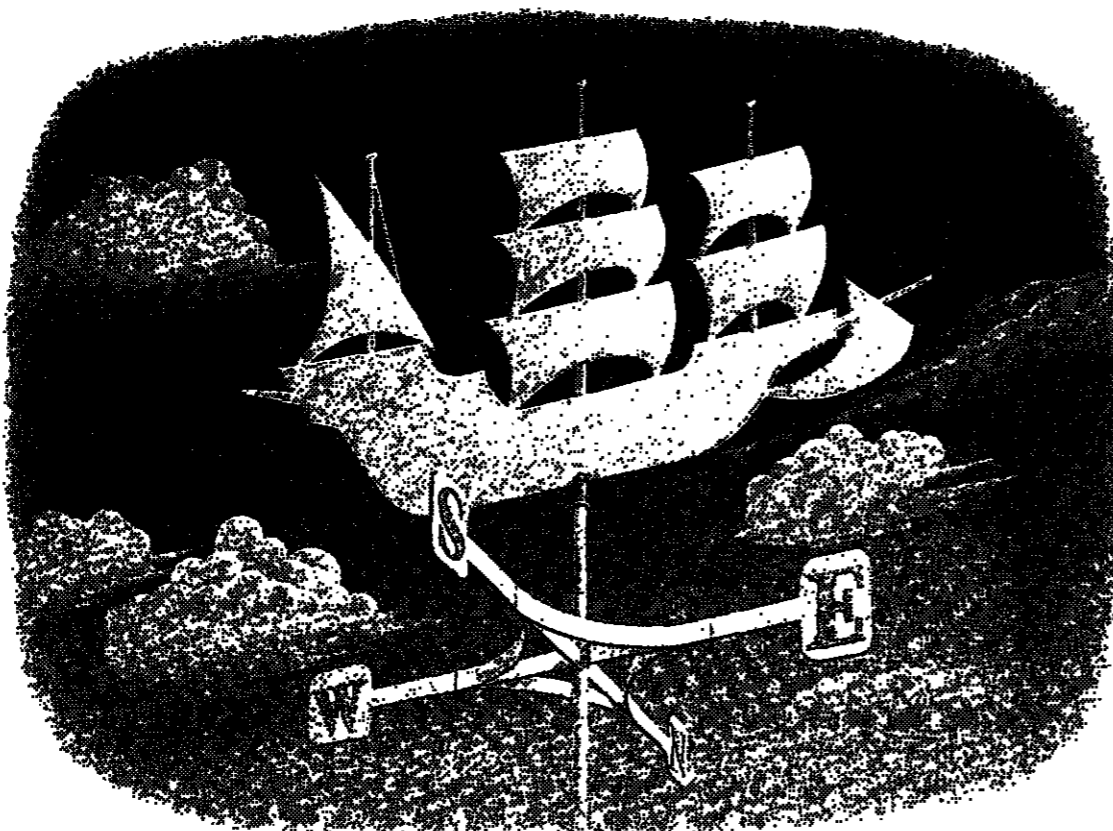
It also announced a link-up with AT&T in the US to enable document data to be sent along telecommunications lines. Similar deals are being made with Belgacom, the Belgian telecommunications operator, and PTT Telecom Netherlands.

Yet all the digital expertise in the world will not help if document users cannot keep a close eye on the growing mass of information bombarding them. Xerox has thus evolved new ways of viewing large amounts of data so that items of varying importance and relevance can be seen together without cluttering up the screen.

Its Information Visualizer, based on scientific and psychological research, will enable users to call up files and keep them in context. One method already in use is the "cone tree" on which file names can be identified as this is rotated, then pulled out to examine the data. Another is to put file names on a computerised wall which can be moved to view items of both central and peripheral interest.

Seely Brown, who also heads the group's Xerox Parc research unit, believes such technological changes will help take the growing cloud of office work by making complex equipment easier to use. "I have the feeling that technology is finally getting powerful enough to get the best out of the way."

## SAIL INTO ASIA.



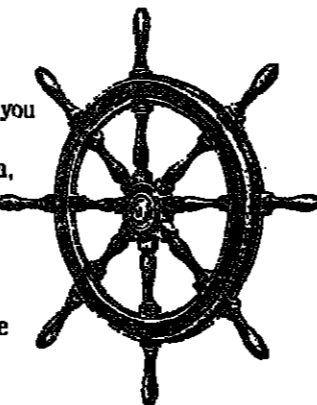
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## PEOPLE

### From one privatisation to another

AEA Technology, the newly created arm of the Atomic Energy Authority which is to be privatised later this year, has its first chief executive. He is to be Peter Watson, the British Rail main board director for engineering. Before joining BR in 1991, Watson spent most of his career at GKN, the engineering group, where he rose to be head of research and development, and ran two operating divisions. Watson, 50, was selected because of his combined experience of science and business, as well as his knowledge of both public and private sector companies.

According to Sir Anthony Cleaver, AEA chairman, "We have a unique opportunity to create for Britain a flagship science and engineering services company, and we needed someone with the right credentials to help realise that vision." Meanwhile, Watson believes that AEA is capable of "being a leader in the world" as a provider of high technology services.

Though the sale of AEA Technology is expected to realise about £200m, decisions have still to be taken on the form of its privatisation.

### Vice-Admiral to steer BSI

Retired Vice-Admiral Sir Neville Purvis has been appointed chief executive of the British Standards Institution.

Sir Neville served until February as Chief of Fleet Support in the Royal Navy. BSI says Sir Neville has "extensive experience at senior management level in a complex and diverse organisation like BSI".

The BSI has been without a chief executive at the bridge since last year when Michael Sanderson stepped down after 18 months over what the BSI called a "deep disagreement on important matters of policy and management". The BSI will not expand on the disagreement.

BSI's problems came to a head last November when a row with its members turned down plans to strengthen the powers of the directors and to double directors' fees.

Sir Neville said yesterday that the BSI had faced "problems of communication rather than substance". He said the BSI was an important conduit between industry and the international organisations where many standards are now agreed.

Douglas Kinloch Anderson, chairman of Kinloch Anderson, has been appointed president of The ROYAL WARRANT HOLDERS ASSOCIATION. Angus McIntosh, director of research consultancy at Richard Ellis, has been appointed visiting professor in property development and asset management at the UNIVERSITY OF SALFORD.

Gordon Paul has been appointed chief executive of THOMSON'S business education and information group; Robert Kiernan is appointed md of Thomson Corporation Publishing, and Stuart Garner is appointed chief executive of Thomson Regional Newspapers. Sandy Robertson, formerly md of Irish Carton Printers, has been appointed chief executive of UK Corrugated and the Cundell Group, part of JEFFERSON SMURFIT GROUP.

Peter Swinburn, sales md for Bass Take Home, has been appointed customer services and sales director for BASS BREWERY.

Robert Badley, director - sales, David Gossell, director - procurement, and Bill Winthrop, director - internal services, have been appointed to the board of H.J. HEINZ. Alan Mackinnon, formerly marketing director of Wardle Storey, has been appointed vice-president, sales and marketing Europe, for GUILFORD Europe.

Protons International, a UK biotechnology company that uses computers to design drugs, has appointed Jurek Sikorski as business development and marketing director. Biotechnology companies usually spend many years developing products before they can be sold, and Sikorski's appointment reflects Protons' confidence that some of its 30 development programmes will come to fruition shortly.

Ten products are scheduled to be in clinical trials or the veterinary equivalent by the end of the year. The first product, an anti-diarrhoea treatment for cattle, should be on sale later this year, says Protons.

Sikorski, 42, comes from healthcare group Smith and Nephew, where he was international marketing director. Previously, he worked in marketing for Wellcome Diagnostics and UK biotechnology company Celltech, where he was chief executive of a US subsidiary called Boots-Celltech Diagnostics.

### Sweet taste in the mouth for Malik-Noor at Regina

Shiraz Malik-Noor yesterday completed his victorious return to power at troubled royal jelly company Regina by being appointed chief executive. Monday's extraordinary general meeting had put him back on the board.

Paul Geoghegan, the chairman who fought valiantly to keep Malik-Noor away from the company at which he [Malik-Noor] is major shareholder, has stood down.

He has been replaced by Guy Neely, a former finance director at Glaxo and treasurer of the Mercers Company, who was voted onto the board at the tumultuous EGM.

Malik-Noor had called another EGM in order to propose the removal of Geoghegan and finance director Tony Shakesby from the board, but this has been cancelled and Shakesby will remain.

### Finance moves

Europay International has recruited Jim Rafferty, the director of payments services at Royal Bank of Scotland, to strengthen its presence in the UK. Rafferty will take up the post of general manager for the UK/Ireland region.

Rafferty spent nine years at the Royal Bank working on computer and technical operations before becoming managing director of group services, and then moving to become director of payment service in 1991.

Europay International is the European arm of MasterCard, and licenses cards held by 50m customers in Europe.

Rodney Schwartz is joining PARIBAS capital markets to head its financial institutions group in the investment banking department. He moves from Lehman Brothers, Europe, where he was md and co-head of equities since 1991, before that he was an analyst of European banks for Paine Webber.

David Fincham, formerly ceo of Hoare Govett, has been appointed senior vice-president and director of operations and systems at FIDELITY BROKERAGE.

David Parrish has been appointed director of finance and operations at FIRST MORTGAGE SECURITIES. Young Han Kim has been appointed general manager of the London branch of SHINHAN BANK. Sung Jong Kim has returned to his post in Seoul.

Michael Lucas, formerly chairman and ceo of The Network, has been appointed director of institutional sales North America for STANDARD CHARTERED Equitor Group. Andrew Waldman (below), chairman of Switch debit card scheme UK, has been promoted to the new post of director of card services at THE ROYAL BANK OF SCOTLAND.

صكنا من الامل

Cinema/Stephen Amidon

# Buddha from Seattle

**B**ernardo Bertolucci has always been fascinated by tensions arising when West meets East, whether it be the fate of an anglicised Chinese Emperor or American expats adrift in the Moroccan desert. Now, with his sumptuous *Little Buddha*, this thematic concern becomes even more explicit as the Italian director abandons the tragic slant of his recent work to depict an attempted merger of the two cultures.

The film concerns a nine-year old American boy (Alex Wiesendanger) who is suspected by Buddhist monks of being the reincarnation of a recently deceased saint. An ageing lama (Ying Ruocheng) travels from Bhutan to Seattle in order to convince his parents (Bridget Fonda and Chris Isaak) that he should be allowed to return to the monastery to see if he truly does possess the blessed soul. Not surprisingly, the wealthy yuppie resists the idea at first, though after suffering personal loss they agree to take the boy East for the spiritual examination.

Bertolucci's story contains the germ of what might have been an intriguing film. After all, what would you do if four charming, soft-robed monks showed up on your doorstep claiming your child was a minor deity? Send them packing? Demand proof? See the possibility of saving money on boarding school? Believe them?

The dramatic possibilities are rich, and the film comes to life when Bertolucci explores them. Unfortunately, he then proceeds to add long, digressive scenes dramatising the life of Siddhartha (Keanu Reeves), the young prince who became the Buddha. While these lyrical passages are often spectacularly filmed, their schools programme tone saps the film of its dramatic strength. By the end, when the true nature of the boy's soul is revealed and the old lama is tossed into the cosmic recycling bin, it is hard to feel any emotional connection with either of them. That is the problem with tackling the universal - you lose the personal. And while abandoning the personal may be what Buddhism is about, there is little room for it in screen storytelling.

*Deadly Advice* calls itself a black comedy, though a more appropriate colour would be drab gray. Former

*Blackadder* director Mandie Fletcher's first feature deals with a bookish wallflower (Jane Horrocks) who decides to kill her dominating mother (Brenda Fricker) on the strength of advice given to her by the ghosts of notorious murderers such as Dr Crippen and Jack the Ripper. The body count escalates as the locals become suspicious, until the once retiring Horrocks stands ready to join the company of serial killers who have been haunting her. Although the film's premise is ripe for dark laughter, Fletcher and writer Glenn Chandler have trouble raising even the lightest chuckle. Instead of the delirious unpredictability and cheery nihilism of previ-

**LITTLE BUDDHA (12)**  
Bernardo Bertolucci

**DEADLY ADVICE (15)**  
Mandie Fletcher

**ROMEO IS BLEEDING (18)**  
Peter Medak

**MOTHER'S BOYS (15)**  
Yves Simoneau

**ACE VENTURA: PET DETECTIVE (12)**  
Tom Shadyac

ous British black comedies such as *Kind Hearts and Coronets*, we are instead left with a costly inoffensive little picture that refuses to challenge either itself or the audience. There is nothing easy or inoffensive about *Romeo is Bleeding*. Peter Medak's woefully misguided attempt to venture into the mean streets that belong to Martin Scorsese and Abel Ferrara. Gary Oldman plays a corrupt New York policeman in the pay of the mob. When they order him to murder a renegade hitwoman (Lena Olin), he unwisely falls in love with her instead, putting his job, marriage and life in dire jeopardy. By the time the smoke clears there are countless victims, none in worse shape than our credulity.

Hilary Henkin's absurd and preposterous screenplay was once chosen by a leading magazine as one of the "Ten Best Unproduced Scripts in Hollywood", which makes you think

that, until recently anyway, Tinseltown knew what it was doing. For his part, Medak seems to believe that if he throws enough pace and blood at us we will not notice the mess. None of the actors fares very well, although commiseration must be extended to the usually fine Olin, who spends the entire film wearing Wonder Bras and little else. Even after losing her arm she still has to play the bimbo.

For its first half hour, *Mother's Boys* promises to be the sort of serious family drama Hollywood is reluctant to make these days. It concerns a feckless woman (Jamie Lee Curtis) who comes back to her family after having abandoned them without explanation three years earlier. Her husband (Peter Gallagher) is some too happy about her return, especially when she announces that she wants to resume mothering their three sons. But there is little he can legally do to stop her, even after she shows herself intent on wrecking his relationship with his new girlfriend. Early on the director, Yves Simoneau, sketches this uneasy tangle of relationships with care, particularly in the scene where Curtis performs a mock-innocent striptease to win back the affections of her estranged husband. But the film soon becomes a preposterous thriller, culminating in a final scene in which half the cast dangles on the edge of a Californian cliff in a Volvo.

I am not sure what it says about the state of modern cinema when the most accomplished film on offer in a week is *Ace Ventura: Pet Detective*, but it cannot be good. This is the sort of shaggy dog film that some people love, while the rest will be left black-jawed in wonder that such daftness ever got made. The convoluted plot of dolphin-napping is little more than an excuse for the antics of the American comedian Jim Carrey, undoubtedly one of the more original talents to hit the screen of late. With his rubbery face and cartoonish voice, Carrey is like a manic blend of Pee Wee Herman and Lassie. His Ace Ventura only takes on cases involving animals, drives with his head out the side window and keeps a flap on his treacher door so his pet penguins can get in and out. When his admiring girlfriend says that he must really love animals, he answers: "If it gets cold enough." A must for pet owners everywhere.



Keanu Reeves as the prince who becomes the Buddha in Bertolucci's latest spectacular

Opera/David Murray

## Lively new cast for Figaro revival

**A**t the Royal Opera House, Covent Garden Johannes Schaal has again revived his 1987 production of Mozart's *Le nozze di Figaro*, this time with a largely new cast. It makes a rewarding evening, as a whole, a credible *Figaro* rather than a red-letter one, but with enough very good things to give substantial pleasure.

Among those things are most of the comic and expressive touches that Schaal has lavished upon the action, with eager compliance from his actors. He began his career as a straight theatre director, and it shows. The Act 2 bedroom-scene is stuffed with bright, characterful detail; some might think that lily-gilding, but it is a long time since I saw this, and so sympathetically milked for its comic potential.

Schaal does however succumb to an illusion rife among modern producers, which is that you can stretch Mozart's rapid-fire recitatives indefinitely, and even leave silent gaps in them to accommodate funny stage business. That is wrong, as Schaal's Act 1 proves; he leaves so many holes in the musical texture that the "real" music begins to sound like

interpolations. There is no reason to doubt that Mozart expected most of his recitative passages to run fast, and to inflate them is to spoil his music-theatre proportions. This four-hour evening would gain greatly by losing 10 or 15 minutes compressing Schaal's clever *travaux* into Mozart's real-time score.

A vulgar reason for hastening to this *Figaro* - vulgar in the sense that it is a bit stupid to go to *Figaro*, an ensemble-piece *par excellence*, for the sake of one star performance - is that in the name-part young Bryn Terfel is memorably good. Though he looks like a friendly, dishevelled bear, in the style of Gérard Philipe, his reactions and furies are quickly transparent; venomous relish in "Se vuol ballare", fine comic timing, his full-blooded romantic baritone cannyly reserved for the right places later.

Plenty of feeling too, and vital diction, and he is nifty on his pins (Romayne Grigorova's choreography is a model of pretty tact). But social *Figaro* cannot exist in a void; fortunately, Terfel has a sharp match in Jeffrey Black's first-rate Count - lots of sexy panache and preening style, underpinned by a healthy vein of loutishness.

The women are trickier. The best Susannas seem to control the action from start to finish, but Sylvia McNair is too cultivated and shy to do that; crucially she lacks Susanna's spirit, though she sings a melting "Deh vieni". Similarly, Monica Bacelli - whose youthful reputation has preceded her first appearance here - is a Cherubino whose fetching "Voi che sapete" comes too late to impress for her watery, over-subtle "Non so più". We miss the honestly wracked adolescent.

As the unhappy Countess, McNair's younger American colleague Christine Brewer cuts a maternal figure and delivers her arias in diva-style. Schaal gives her a nasty bangover for her first appearance, and a continuing alcoholic thirst. In principle, his emphasis upon her guilty attraction to young Cherubino - which Mozart's librettist da Ponte chose to play down, against the original Beaumarchais text - is plausibly right, but with Miss Bacelli's bantam-sized, sexless Cherubino stretched upon Miss Brewer's ample nightgowned neck it becomes too inappropriately Freudian for belief.

Della Jones is a sparky Marcelina who justifies her extraneous Act 4 aria, unlike Philip Dugan's Don Basilio with his, though elsewhere his slimy, whey-faced blandness is irreproachable. Gwynne Howell, John Dobson, Deborah York and the veteran Federico Davia (as a very crusty son-of-the-soil gardener, Antonio) are fine. Conductor Hartmut Haenchen keeps sound tempi, points up Mozart's cleverest orchestral details and is generously attentive to his singers, stopping just short of full, long-sighted authority.

Xenia Hausner's surprising sets - everything happens under a painted, symbolic Baroque canopy-ceiling - are handsome. The surtitles are muggy, and seem to suppose that every opera-goer has enough ground-level Italian to do without any translations at all in some places: not true, of course. Yet none of those failings matters much; this *Figaro* will serve very well as a first-draft introduction to a miraculous, inexhaustible opera, or as a fresh reading for older hands. Mozart was 30 when he wrote it.

Sponsored (1987) by Citibank; in repertoire until May 25

## Ballet Phoenix Dance Company

**P**hoenix Dance Company has so much in its favour - splendid dancers; enthusiasm; a devoted public - that it is sad to find these advantages less than well used. The fault, I suspect, lies in the choreographic material that the company chooses, and also in a doctrinaire attitude to the fact of being a black dance troupe.

The ensemble is one of the most triumphant justifications for dance in secondary education. In the early 1980s, Harehills School in Leeds offered dance as part of its curriculum. Three Harehills boys decided to make dance their career, and Phoenix resulted, growing in skill, in size, in public acclaim, and acquiring women members as the years passed. Success and attainment have been real and thrilling. But over the years I have noted that the choreography, in the main, has lagged behind the dancers' abilities.

Even half-way decent choreography is now at a premium, and the programme which Phoenix offers this week at Sadler's Wells is testimony to this. As always with indifferent dances, the dancers are minimised, trapped in stereotypical attitudes, blinkered as performers. They are vastly better than their material, and the identities their choreography imposes on them - notably in a dire piece by Donald Byrd - show them as clichés rather than the artists they so proudly should be. They are best challenged by Darshan Singh Bhullar's *Heart of Chaos*, which deals with the emotionally and physically brutalising effects of boxing and allows three of the men to create positive characters.

I venture to suggest that instead of always staging new and sometimes ill-conceived work, Phoenix acquire established or unjustly neglected repertory pieces from the greatest names of modern dance. They have the skills needed to tackle Graham or Taylor or Tharp, and might acknowledge British dance's debt by presenting work by Robert Cohan. The image of Phoenix proposed by Donald Byrd's *Painful Strategy* is so blatant, and ultimately so vulgar in its admixture of bad ballet and strutting, that we ought not to leave the theatre with this as our final view of the ensemble. (Its score, by Mfo Mulari, is also a noisy assault on the ear-drums).

Patricia Johnson's *Face our own Face*, which opens the programme, comes burdened with a note about blackness, but the dance neither identifies nor comments upon this in any cogent fashion. We merely see admirable dancers posing on handsome metallic screens (by Christiane Ewing) and indulging in predictable "modern" activity.

I admire Phoenix and respect its attainments too much to want anything but the best for its dancers. The troupe's identity should not depend on leopard-skin knickers and glimmer sexuality but on the grandest matters of modern dance, which are the company's rightful heritage.

Clement Crisp

Sadler's Wells until April 30.

## The Proms plan a nostalgic centenary season

**T**he 100th season of the BBC Proms opens on July 15 and yesterday director John Drummond announced a programme wallowing in nostalgia and fascinating oddities. This is not a time for ambitious new works (they come in 1995, when pieces have been commissioned from 18 composers, including Berio, Birtwistle, Elliott Carter, Steve Reich, Maxwell Davies, and Henze); the only major premiere is John Tavener's "The Apocalypse" on August 14, an ambitious two-hour work.

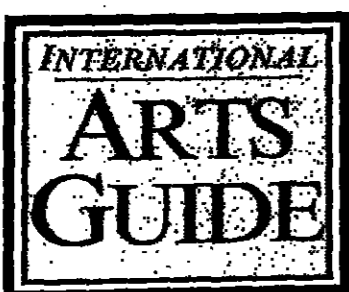
Instead the heroes and heroines of Proms Past are honoured. Among the more interesting concerts is the re-creation, on July 16, of a typical Prom of the turn of the century: the programme of September 6 1900, consisting of 17 works including patriotic Boer War songs such as "When the Boys Come Home". Eight concerts pay tribute to Proms personalities, including the founder Sir Henry Wood; Basil Cameron; Constant Lambert; Malcolm Sargent and more. There will also be 68 performances of works which received their British premieres at the Proms, an extraordinary list including Mahler symphonies; Tchaikovsky's First Symphony;

Sibelius' "Karelia Suite"; and Rakhmaninov's Piano Concerto No 1.

Old traditions have been revived, such as a Wagner night; a Viennese night; and the Beethoven symphonies played in chronological order. Heather Harper comes out of retirement to sing on July 19, Ida Harnadel, who made her Prom debut in 1937, plays Britten's violin concerto on July 13 in front of the Queen, who is making her first appearance at a Prom; and on July 22 Bernard Haitink recreates the programme which marked his Proms debut in 1966.

As well as the biggest music festival in the world the Proms is the most successful, with 83 per cent audience capacity last year. Yesterday John Drummond paraded the amazing statistics: 43,000 works performed in 5,400 concerts over the century, with Wagner receiving almost 4,500 performances, 2,000 more than Beethoven. Sir Henry Wood conducted on almost 27,500 occasions, a long way ahead of Sir Malcolm Sargent with 2,400 Proms. And Wagner's overture to "Tannhäuser" is the most performed work it has been played 280 times.

Antony Thornecroft



### BARCELONA

Palau de la Musica Sat evening, Sun morning: Gary Bertini conducts Barcelona City Orchestra in symphonies by Mozart and Mahler (288 1000)

### BERGAMO

The annual festival at Bergamo and Brescia opens tomorrow at Bergamo's Teatro Donizetti with a performance of Bach's Matthew Passion by Drottningholm Baroque Ensemble conducted by Eric Ericson. The festival runs till June 11, with instrumental soloists including Uto Ughi, Natalia Gutman, Stanislav Bunin, Ivo Pogorelich and Ton Koopman (Bergamo: 035-249531, Brescia: 030-375 7974)

### BOLOGNA

Teatro Comunale A new production of Verdi's *I Lombardi*, starring Ruggero Raimondi and Norma Fantini, can be seen tonight, tomorrow and Sat. Mischa Malsky is cello soloist with Prague Chamber

Orchestra on Mon (051-529999)

### FLORENCE

Maggio Musicale Michel Baryshnikov's White Oak Dance Project gives a guest performance tonight in the Teatro Comunale. Zubin Mehta conducts concert performances of Schoenberg's Moses and Aaron tomorrow and Bartok's Duke Bluebeard's Castle next Wed and Thurs. The programme also features a Bob Wilson spectacle inspired by Noh theatre, Luc Bondy's Salzburg production of Salome, recitals by Samuel Ramey and the Chung Trio, and concerts by the Dresden Staatskapelle, Oslo Philharmonic and Pittsburgh Symphony Orchestras. The festival runs till July 1 (055-277 9236)

### LONDON

**THEATRE**  
● Love's Labour Lost: a transfer of Ian Judge's RSC production from Stratford, where it was enthusiastically received last year for its high-energy comedy. Starts previewing tonight, Press night next Tues (Stratford 071-638 8891)  
● Elgar's Rondo: Alex McCowen in Di Trevi's RSC production of David Pownall's funny and moving play about the great Edwardian composer. Just opened (The Pit 071-638 8891)  
● Les Parents Terribles: Sean Mathias directs a new production of Jean Cocteau's greatest stage success. In repertory in the Lyttelton with Sam Mendes' production of Harold Pinter's *The Birthday Party*. Next Thurs in

Cottesloe: first of 18 performances of Peter Brook's *The Man Who* (National 071-928 2252)

● The Weekend: first stage play by ex-Monty Python comedian Michael Palin, about the chaotic events after the arrival of unwanted guests at a family home. Cast includes Angela Thorne and Richard Wilson, directed by Robin Lefevre. Now previewing, opens next Tues (Strand 071-928 8800)

● A Month in the Country: Helen Mirren and John Hurt in Turgenev's languid portrait of romantic evasions (Albany 071-887 1115)

● Travesties: Anthony Sher heads the cast in Adrian Noble's RSC production of Tom Stoppard's 1974 play (Savoy 071-936 8888)

● Hamlet: Rory Edwards is the Danish prince in Julia Bardsley's Fellini-style production (Young Vic 071-928 6263)

● The Rivals: Sheridan's comedy of manners opens this year's programme at Chichester Festival Theatre, first night tomorrow. Richard Cottle directs a cast headed by Patricia Routledge (0243-781312)

**OPERA/DANCE**  
Covent Garden The Royal Opera has a final performance tonight of Harrison Birtwistle's *Gawain*, with John Tomlinson and François Le Roux, plus revivals of *Carmen* with Elena Zereba, Marie McLaughlin and Richard Margison (till May 20) and *Le nozze di Figaro* with Bryn Terfel, Jeffrey Black and Sylvia McNair (till May 25). The next new production is Giordano's *Fedora*, opening on May 13 with Mirilla Freni and José Carreras (071-240 1066)

Coliseum ENO has Philip Prowse's

staging of Bizet's *Pearl Fishers* (final performance tonight), Yevgeny Onegin with Peter Coleman-Wright and Kathryn Pope (till May 6) and Judith Weir's new opera *Blond Eckbert* (071-836 3161)

Queen Elizabeth Hall David Freeman's Opera Factory is in residence for the next two weeks with *The Raké's Progress* (071-928 6000)

### CONCERTS

South Bank Centre Tonight: Jun'ichi Hirokami conducts RPO in works by Sibelius, Bruch and Rakhmaninov, with violin soloist Boris Belkin. Tomorrow: Luciano Berio conducts world premiere of his latest work, to be performed by primary school children, the Halle Orchestra and a down. Next Tues, Thurs: Georg Solti conducts concert performances of Così fan tutte, with cast headed by Anne Sofie von Otter and Olaf Bär. Wed: Franz Waser-Möser conducts LPO and New Singers in Strauss, Debussy, Ravel and Berlioz (071-928 8800)

Barbican Tonight: David Josefowitz conducts London Soloists Chamber Orchestra and Pro Musica Chorus in works by Mozart and Beethoven. Sat: Carlo Rizzi conducts RPO in symphonies by Haydn and Mahler. Sun afternoon: James Galfrey recital. Mon: The Dubliners. Wed: Rizzi conducts RPO and Brighton Festival Chorus in Rossini's *Stabat Mater* (071-638 8891)

### MADRID

Teatro Lirico La Zarzuela Tonight: final performance of *Un ballo in maschera* with Luis Lima, Juan Pons and Anna Tomowa-Sintow. Mon:

Raina Kabaivanska song recital (01-429 8225)  
Auditorio Nacional de Musica Tonight: Octav Calvea conducts Malaga Chamber Orchestra in works by Mozart, Schubert, Haydn and Ravel. Tues: Lithuanian Chamber Orchestra plays Mozart and Tchaikovsky (01-337 0100)

### MILAN

Teatro alla Scala Tonight: Kenneth MacMillan's ballet *Manon*. Mon: Kurt Masur conducts Leipzig Gewandhaus Orchestra. May 9: Garrick Ohlsson piano recital. May 14: first night of new production of *Rigoletto* (02-7200 3744)

### PALERMO

Teatro Massimo Tonight, Sat, next Tues (also May 5-6 and 10-12): La traviata with casts including Giusy Devinu, Salvatore Fisichella and Paolo Coni (091-8053 315)

### PRAGUE

Christopher Seaman conducts Czech Philharmonic Orchestra tonight and tomorrow at Dvorak Hall in works by Vaughan Williams, Britten and Elgar, with tenor Barry Banks and horn soloist Jindrich Petras. On Sat, Michael Gielen conducts South West German Radio Orchestra in symphonies by Mozart and Bruckner (02-2489 3352) This year's Prague Spring Festival runs from May 12 to June 2. The opening performances of Smetana's *Ma Vlast* are given by the Prague Symphony Orchestra conducted by Neeme Järvi. Guest ensembles include City of Birmingham

Symphony Orchestra with Simon Rattle, Orchestre National de France with Charles Dutoit and BBC Philharmonic Orchestra under Yan Pascal Tortelier and Charles Mackerras. Recitalists include Agnes Baltsa, John Williams and Josef Suk (Prague Spring Festival, Heliokova 18, 11800 Prague 1. Tel 02-530293 Fax 02-536040)

### ROME

Teatro Olimpico Tonight: Schubert evening with soprano Elizabeth Norberg-Schulz and others (06-320 1752)  
Teatro Valle Tomorrow: Sando Vagh conducts Salzburg Camerata Academica. Sat, Mon and Tues: Charles Mackerras conducts Orchestra dell'Accademia di Santa Cecilia in Handel's *Israel in Egypt*, with vocal soloists including Lynne Dawson and Laurence Dale. Sun: Kurt Masur conducts Leipzig Gewandhaus Orchestra. May 6: Radu Lupu. May 13: Maurizio Pollini. May 20: Andras Schiff (06-678 0742/06-6880 3794)

### TURIN

Teatro Regio Tonight, Sat, next Tues, Wed, Fri, Sat, Sun: Daniel Oren conducts Julia Taymor's production of *Die Zauberflöte*, with casts including Hans Tschammer, Patrizia Pace and Daniela Lojaro (011-681 5214)

### VENICE

Teatro La Fenice Sat, next Tues and Sat: Tristan and Isolde with Siegfried Jerusalem and Gabriele Schnaut (041-521 0161)

### ARTS GUIDE

Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.

**European Cable and Satellite Business TV**  
(Central European Time)  
MONDAY TO FRIDAY  
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY  
NBC/Super Channel: FT Reports 1230.

TUESDAY  
EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY  
NBC/Super Channel: FT Reports 1230

FRIDAY  
NBC/Super Channel: FT Reports 1230  
Sky News: FT Reports 0230, 2030

SUNDAY  
NBC/Super Channel: FT Reports 2230  
Sky News: FT Reports 0430, 1730.

# Maverick mogul's art of cultivation



BOOK REVIEW

Steve Ross, whose deal-making genius created Time Warner, the world's largest media conglomerate, used to say he learnt the art of handling people when he ran the Riverside Chapel, a Manhattan funeral business owned by the father of his first wife, at the start of his extraordinary career.

"It's a service business," Ross would explain. "You service people in an emotional time - you learn about their needs, their feelings... If you say to people who are grieving, 'Can I help you?' they will say, 'No one can help me'. So I would say, 'Can I be of service to you?' It is a telling anecdote. For as Connie Bruck points out in this fine biography, Ross's almost visceral ability to cultivate people, and win their favour, was a key ingredient in the transformation of that modest funeral business into Time Warner, with interests ranging from Hollywood's Warner Brothers film studios to the Time magazine publishing empire.

In attending to the needs of Hollywood stars - the ultimate service industry - "the professional empathiser par excellence of Riverside Chapel had found his rarefied home". Yet the handsome, charming Ross, who died of cancer two years ago, also stirred up immense controversy, most notably over a succession of shady business deals and the lavish lifestyle he and his top executives enjoyed at the company's expense. His attorney, Arthur Liman, once described him as "the last great pasha of American business".

Having created the company himself, Ross found it hard to draw the line between what was his and what belonged to his shareholders. He thought nothing of despatching a jet from the Caribbean to New York to collect some genuine Nathan's hot dogs. An epitaph framed in his office said: "More is not an illusion."

Ms Bruck, a writer for New Yorker magazine, is clearly drawn to such maverick, larger-than-life risk-takers. She made her name in the 1980s with The Predators Ball, one of

## MASTER OF THE GAME

By Connie Bruck

Simon & Schuster, \$25, 395 pages

the best books on the rise of Michael Milken, the junk bond king of Drexel Burnham Lambert.

Ross sprang from the kind of impoverished lower middle-class background which has propelled upwards many a workaholic high-achiever. He was the son of a Brooklyn builder who had lost his money and a socially ambitious, dotting mother. From an early age he displayed great skills in mental arithmetic and an entrepreneurial drive, rising at dawn to sweep the snow from neighbours' drives.

He started his business career at the Riverside Chapel, which he merged with Kinney System, a New York car park company with underworld links, and took the new entity on an acquisition binge which culminated in the 1969 takeover of Warner Brothers-Seven Artists, the film and record company.

That company, much enlarged and renamed Warner Communications (WCI), merged in turn with Time Inc in 1989. And while Time, a blue-blooded member of the US business establishment, ostensibly took over the raffish Warner, Ross emerged on top of the combined group. It was his finest negotiating hour.

Bruck may not reveal any great secrets about Ross's career, but her book fleshes his life out with a mass of fascinating new detail, held together by a strong narrative line and a crisp, lively prose style.

The tale drags only once, when she presents the tortuous evidence in the Westchester Premier scandal, where Warner was accused of making illegal investments in a Mafia-run theatre. Ross escaped prosecution, leaving his best friend and company colleague, Jay Emmett, to plead guilty.

The lesson of the book is that great - if flawed - individuals make great companies. One of Ross's great strengths - apart from a gambler's bravado - was strategic vision. He was one of the first US businessmen to appreciate the impor-

tance of cable television and the increasingly global nature of the entertainment industry.

Another was his deal-making prowess. He prepared carefully for every negotiating session, memorising personal details about his opponents, which he could throw into the conversation and catch them off-guard.

But he was no manager. Instead, he devolved power to his divisional heads and bowed what he called the "Warner family" together by acting as a kind of father figure, showering his favourites with lavish gifts and acts of personal kindness. His favourite question was "Are you having fun?"

Yet this paid dividends too. Says Bruck: "His apparent psychological need to be the provider of good news, good fortune, good food, good times" meshed almost sublimely with business strategy. For by engineering such unusually strong loyalty within WCI, Ross was able to protect his company from the rapid turnover that was so endemic and destructive in other entertainment companies.

However, luck seemed to desert him after the Time Warner deal. The merger has been marked by squabbling between the two corporate cultures and over the strategy, pursued by Ross and his successor, Gerald Levin, of selling off minority stakes in the "crown jewel" entertainment business to pay down the heavy debt burden resulting from the takeover.

Bruck suggests that Levin, while being a persuasive and far-sighted manager, cannot adequately fill Ross's shoes and she concludes that the Time Warner merger was probably not worth while, given its legacy of debt and personality clashes, and the lack of genuine synergy between most of the businesses.

It may yet be undone. Seagram, the large Canadian drinks company, has built up a 14 per cent stake in the group and could be preparing to launch a bid, though it denies this.

Perhaps Steve Ross is smiling from the grave: after all, he was Time Warner. How can it possibly survive without him?

Martin Dickson

British economic performance has this month received an accolade from an unexpected source, the European Commission in Brussels. In its 1994 *Annual Economic Report* it remarks: "The UK enters 1994 with better short-term prospects than most of the other member states; continued growth in output is expected, with inflation remaining under control." At the same time there has been "a turnaround in unemployment which was both earlier and sharper than expected".

These real improvements have been combined with a closer fulfilment of the Maastricht fiscal criteria than that of most member countries. For instance the UK general government deficit is expected to come down to the Maastricht reference value of 3 per cent by the financial year 1996-97.

The Commission does, of course, put in some qualifications and cautions. The combination of the debt overhang and the weight of tax increases could still depress consumption growth. It was this fear that caused the chancellor, Kenneth Clarke, to argue for a cut in interest rates - against the scepticism of the governor of the Bank of England, Eddie George - according to the published version of their February meeting. The Commission urges, instead, that exports and investment "contribute increasingly" - a virtuous exhortation we know by heart.

Meanwhile, it would be folly to take risks with interest rates to ward off a threat which may not occur - especially as the yield on long-term gilts is continuing to rise and sterling to slip. Neither development is alarming so far, but both need to be taken into account. The CBI itself has stopped pressing for base rate cuts. The most disappointing answers in its April *Trends Survey* from businessmen relate to confidence and expectations. The harder evidence of output and orders remains firm. Goldman Sachs points to a similar discrepancy on the consumer side, where there is a quite unusual contrast between low confidence and the actual trend of consumer spending.

One of the best recent innovations of the Central Statistical Office has been the publication of an early flash indicator for Gross Domestic Product. This saves a great deal of work in putting together a vast amount of scattered data from all parts of the economy. Much of this can now be discarded,

## ECONOMIC VIEWPOINT

# It's time to put UK policy in neutral

By Samuel Brittan

except for forward-looking indicators. These flash GDP estimates are no more accurate than the more comprehensive estimates that appear about a month later. The latest flash shows total real GDP in the first quarter of 1994 some 2½ to 3 per cent above both the same quarter a year ago and the previous quarter when expressed at an annualised rate.

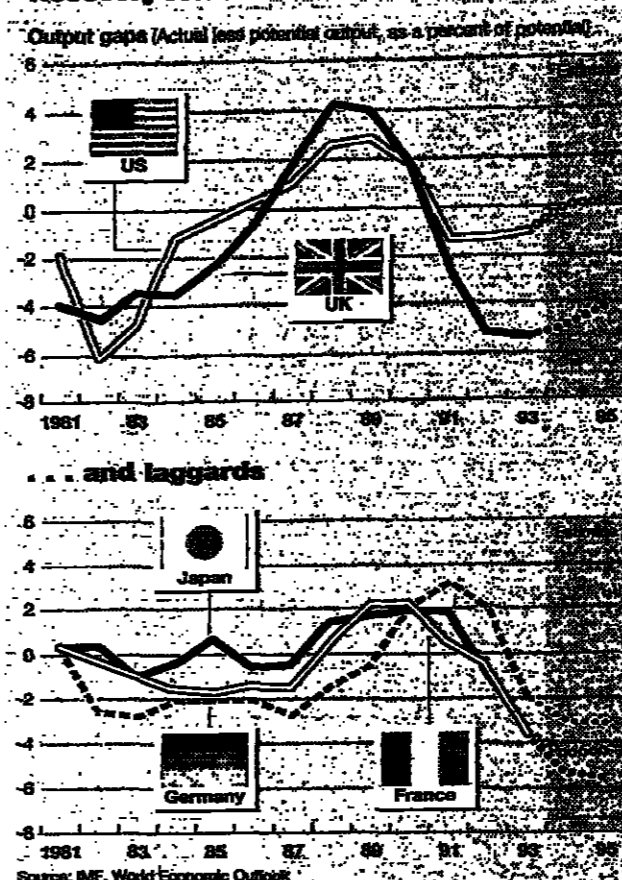
In most circumstances I would go by a somewhat lower figure which excludes the volatile oil and gas sector and which has been rising more modestly. But, on this occasion, any upward bias from the inclusion of the North Sea sector is probably at least offset by a downward bias due to the understatement of exports.

I have previously alluded to the remarkable increase in sterling export prices since the UK left the ERM in 1992. While some upward movement was likely, the recorded rise has been too large to be convincing; and it is affected by the uncertainties in the new European Union trade statistics. These are quite likely to overstate export prices and understate import volumes. They may understate import volumes too, but that would not affect GDP.

The net result is that UK output is not only rising, but probably rising somewhat faster than the growth of productive capacity. Some of the paradoxes about the fall in unemployment are being resolved by upward revisions to estimates of the numbers of jobs, which unfortunately suggests that productivity, even in manufacturing, is not now rising quite as fast as it seemed to be a little while ago.

If the UK economy is doing so well, how come government popularity is so low? There need not always be an economic explanation for everything, especially in view of the vitriolic attacks made on John Major by sections of the so-called Conservative media. In this case, however, it is not difficult to find at least a contributory economic factor. Real

### Recovery leaders



personal disposable income has increased by only 1 per cent per annum over the past three years, compared with 3½ per cent over the previous five. Consumer spending has itself only just regained its 1990 level, and future increases will depend for a while on reductions in the personal savings ratio.

The pressure on personal incomes comes in large part from the need to raise government revenues to reduce the Budget deficit. But a rising share of profits - ultimately beneficial to economic growth - is also making a contribution. As the recovery proceeds and tax increases become a thing of the past, personal prosperity should recover with

it - although whether this will be sufficient to save the Conservatives at the next election is far more doubtful and not a matter about which non-partisan economic analysts should fret too much.

The adjoining chart shows the relative positions of the main western economies in a more interesting way than usual straight up-and-down measures. It plots the estimated differences between actual and potential output as estimated by the IMF. Ideal stable growth would not be upward line, but a horizontal line coincident with the thick zero line on the chart. For on this line output is growing at trend rates, and there is neither a gap nor an excess com-

pared with potential. Although the exact position of each country relative to the thick line contains a large element of guesswork, the broad trends are correct.

What they indicate in the bottom section is that France, Germany and Japan have large amounts of slack in their economies which they show little sign of eliminating, irrespective of whether their economies grow very slightly or continue to decline. The largest amount of slack, and the prospect of slightly worsening of recession, is evident in the case of Japan, which some opponents of individualistic capitalism still want us to take as a model. The German finance minister, Theo Waigel, has offered to bet the managing director of the IMF, Michel Camdessus, that the projection of slow or no growth for his country is wrong.

The US has had, on the other hand, the shallowest recession of the whole group, and has now more than eliminated the output gap - so much so that the Fed has begun to tighten to forestall inflationary pressures. The UK is again in a different position: it has quite a lot of slack left in the economy, but slack which may be eroding more quickly than the chart shows.

My own policy advice has, boringly, been the same for a good many months: namely, leave well alone. What is, however, badly lacking in the UK - as in other countries - is not fresh government measures but a criterion for policy neutrality. What should be the rate he if the Treasury and Bank are trying neither to squeeze slack left in the economy, nor to stimulate the economy? Ultimately, we should go by the growth of the national income in money terms. But for an immediate policy indicator, the Bank of England might take a leaf out of the Fed's book and aim at a modest positive real rate of interest.

As underlying inflation is now around 2½ per cent per annum and base rates 5½ per cent, we have a short-term real rate of around 2½ per cent - and obviously somewhat more for most businesses that borrow at above base rates. This is a shade above average. Against this, evidence from gilt yields suggests that over the next decade financial markets expect an inflation rate of 4 to 4½ per cent - clearly above the government's target range. Thus, weighing up all the considerations, I come back yet again to: leave well alone.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Strong trade unions not a misplaced objective

From Mr Luis Anderson.

Sir, Your leader, "Latin America" (April 18), argues that income inequality in Latin America would best be tackled by reducing inflation and implies that the call by Mr Lawrence Summers, US Treasury under-secretary, for strong trade unions is misplaced.

On the contrary, there is a close link between reducing income inequality and encouraging trade unions, since only strong trade unions will be able to raise incomes for the low paid and so reduce income inequality which, as you will be aware, is higher in Latin America than in any other region of the world.

As you correctly observe, at present labour laws in this region are very unevenly applied - indeed, it would be more correct to say that they are seriously violated in many countries, such as Colombia, where more than 100 trade unionists were murdered last year in the course of their union activity.

Mr Summers is, therefore, quite right to argue for strengthening of trade unions as a basis for social progress in this region.

I must add that the experience of countries which have proceeded to privatise their health and education systems, which your editorial appears to advocate, has been a serious decline in the quality and availability of services and the introduction of user fees.

According to the International Labour Organisation, this has had negligible effects on efficiency but has caused a substantial worsening of available indicators of the health and education standards of the poor.

This is hardly the best way to address social problems.

Luis Anderson, general secretary, Interamerican Regional Organisation of Workers (regional organisation of the International Confederation of Free Trade Unions), Ed Brille Jacquemart, 156, B-1210 Brussels, Belgium

### Beguiling, but not realistic

From Mr Graham R Mackenzie.

Sir, Dr Bryn Jones' letter (April 26) on the costs of EU proposals for company consultative bodies is beguiling. It is the £33,000 per multinational that is the cost of this proposal. Dr Jones would know this were he to look at the latest Commission proposal.

The EC publication *European Participation Monitor* stated that "overall, there seemed to be little difference in the transmission of strategic and financial information between countries whether or not they have legislative frameworks for worker participation". Commission-funded research shows that there is no benefit to be obtained from requiring multinational corporations to introduce consultative committees.

The latest Commission proposal allows 'unlimited' numbers of meetings of the 'European committees' and its 'attendant advisers', all of which must be paid for by the company. The costs of such meetings, based on the Commission's own assessment of their impact, is "less than 10 Euros per employee in a business employing several thousands". For each multinational with, say, 100,000 employees, the cost will be at least £750,000 per company per year.

KEF research leads us to believe that these costs are significantly understated. We estimate each meeting involving employee representatives and advisers - with travel, accommodation, meeting facilities, translation facilities, support staff and pay - will cost more than £100,000 per occasion. The involvement of management

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### No reason why savings should not be delivered

From Mr D L Graham.

Sir, A report has highlighted that government agencies have spent more than £500m on consultancies without checking whether they were receiving value for money ("Waste of money", April 26).

This is not surprising. This company reduces overhead costs on a basis that no fee is charged unless and until the client has actually saved money. As might be expected, private firms welcome this. In contrast, when we recently discussed how we work with a government agency, we were advised that "no savings - no fee" would be against official policy and that our proposal would have to be restructured to provide for payment, irrespective of results achieved.

How can government hope to improve its efficiency if it refuses to adopt the management strategies of the private sector?

D L Graham, managing director, The Cost Protection Partnership, 18 Seymour Place, London W1

to government departments are disturbing. However, many of the pitfalls in the procurement of consultancy services can easily be avoided if the purchaser and supplier mutually agree, prior to commencement of the project, the scope, risks, dependencies and measurable benefits to be delivered. Value for money is a prime concern, and fee structures based on the financial savings achieved are being offered by the more progressive consultancies.

It is also sound practice for the client to work in partnership with the consultancy through to implementation in order to ensure fast delivery of agreed benefits rather than have the client struggle with implementation after the consultancy has withdrawn.

There is no reason why external intervention should not provide very significant financial benefits if the consultancy chosen for the work has a strong track record in achieving defined objectives. References should be taken up wherever possible. Consultancies which cannot demonstrate such expertise are best avoided.

Stephen J Jones, Oast Group, Tectonic Place, Holyport Road, Maidenhead, Berkshire.

### Subsidiarity should be for the birds

From Mr Alan Trench.

Sir, Leonie Price QC (Letters, April 25) thinks that the issue of the Cardiff Bay barrage raises serious concerns about the European Union and the principle of subsidiarity. However, she does not seem to understand what subsidiarity requires in the form implemented by the Maastricht treaty (and, for environmental matters, by the Single European Act).

Subsidiarity means not only that the EU should not act when it is inappropriate for it to do so, but, conversely, that it should act when it is appropriate.

In the case of the Cardiff Bay barrage, the principle of subsidiarity positively requires action at Union level, because habitats such as this are used by birds which travel across Europe. Only when birds can be made to stay within national boundaries will the situation be otherwise. The real cause for concern is that the Commission has left it so late in the day to show interest in a scheme which will have such a far-reaching effect.

Alan Trench, 26 Charleston House, Peel Street, Nottingham NG1 4GN

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## FINANCIAL TIMES

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Thursday April 28 1994

## Germany's Europe

John Major said he would put the UK at the heart of Europe. That intention was geographically absurd and proved political vainglorious. The leader whose country is indeed the geographic, economic and political heart of Europe was his visitor yesterday, Mr Helmut Kohl. Europe is falling to prosper, either politically or economically, largely because Germany is not leading. Germany's accession to the presidency of the European Union, next July, is the occasion for it to start doing so once more.

The agenda Germany confronts is simultaneously its own and Europe's: how to extend the zone of western stability to its eastern neighbours; how to deepen its integration with its western neighbours, particularly with France; and how to engender new vigour in the European economy. Mr Kohl's signal virtue is that he understands the nature of the task he, his country and Europe confront. It is to resolve Germany's historic dilemma: the choice between east and west. Germany's strategic solution is to seek stability in the east, while being safely embedded in a prosperous west. So long as it is deprived of capacity for independent action, the problem posed by an overnight, sovereign Germany might at last be resolved. The failure of British politicians is their inability to recognise that the nightmare Germany's leaders wish to avoid is the 19th century balance-of-power politics that the British deem normal.

## Starting point

The German strategy is right. The difficulties arise with the tactics. The starting point must be to Germany's east, where shaken electorates may yet turn their backs on an EU that is often seen to have turned its back on them. The European Agreements with Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia were a start. But the EU remains far too protectionist, notably over agriculture. These agreements provide for free trade in industrial goods between the EU and the countries of eastern Europe, but not among the east Europeans. There is, more important still, no ladder leading them to the EU membership that they seek and the EU promised, conditionally, at the Copenhagen European summit in 1993.

What is to be done? First, the decision must be taken that, whatever it costs, Poland will become the east of the west, not the west of the east. Second, the EU's barriers to the industrial exports of central and eastern Europe must be eliminated and agricultural access also expanded. Third, existing trade agreements need to be made multilateral, embracing the whole region. Fourth, central and

eastern Europe should be absorbed into the European single market, perhaps by modifying the still-born European Economic Area for that purpose.

Last but not least, the issue of EU membership, which the countries concerned think crucial for the credibility of their engagement with Europe, must be broached. But membership would be feasible before 2010 only if the common agricultural policy, the budget and probably voting weights were reformed. This is an agenda that Germany, pivotal on all three questions, must address.

## Europe's plight

Enlargement to the north, in pace the European parliament decided. Enlargement to the east must be started. But what then of deepening? To the extent that a larger Europe must be bureaucratically streamlined, institutional reform is inescapable. This issue will be the heart of the agenda for the next intergovernmental conference, due in 1996. Ideas must be floated now if that conference is to be less messy than the political side of the last one.

Realistically, however, rapid further deepening of the soon-to-be Europe of 16, still more of the Europe of 20 or so that should emerge within the next decade, is unfeasible. The solution must be deepening among fewer countries. This is already implicit in the Maastricht treaty's approach to economic and monetary union. Some version of EMU must occur this century, if the EU is to retain credibility. But it will then exclude several members. Germany will have to be tough with its partners about whom it is necessary to exclude and whom it is necessary to include.

Perhaps the most fruitful way for Germany to secure early deepening to the west is by strengthening its foreign and security policy co-operation with France. With the US disengaging, the UK equivocating and Russia looking more threatening, it is difficult to envisage a basis for European security other than Franco-German integration. But Germany must first commit itself to participation in envisaged security action. If it has power, without bearing responsibility, as happened in the former Yugoslavia, European security policy becomes internally divisive and externally ineffective.

Germany's presidency starts a run of large countries - France, Spain and Italy - with an integrationist outlook. But it is primus inter pares. It alone can set the agenda for a revitalised Europe. Its forthcoming elections will make it difficult. But Europe's plight makes it essential. Germany must be bold and imaginative. As for the UK, it may be on the margins of Germany's Europe, but cannot afford to turn its back.

## Venezuela shoots a messenger

Venezuela's government took office in February facing a host of political, economic and social problems for which it bore no responsibility. Now, the administration of President Rafael Caldera is adding a few of its own making. The resignation this week of the head of the country's nominally independent central bank is a blow to the credibility of monetary policy and a setback to attempts to right the economy.

As central bank president, Ruth de Krivoy could not alone have solved Venezuela's economic difficulties. But, while there, she was viewed as a guarantor that at least monetary policy was on course. However well respected, her eventual replacement will find it difficult to shake off the perception that he or she is in the government's pocket.

The dispute that brought about her departure arose over the government's desire to see lower interest rates to stimulate an economy now facing a second year of recession. With little help in fiscal policy - according to Consensus Economics, the average expectation of private economists is for a public sector deficit equivalent to 5 per cent of GDP this year - the government alighted on interest rates.

## Banking crisis

One part of the government plan was to persuade banks to reduce the generous lending spreads being charged on loans. However, many banks are attempting to rebuild balance sheets to comply with a new banking law. This in the wake of January's banking crisis, which led the government to take over the country's second largest bank and shore up at least eight others.

The other element was apparently an attempt to reduce inter-

est rates in Venezuela's money markets. Mrs de Krivoy told the government that attempting this would probably backfire. Venezuela's high interest rates were not a cause of Venezuela's economic difficulties but a symptom of them: the money markets were merely the messenger.

The risk of artificially depressing interest rates is clear: more capital flight into the dollar, which will accelerate the depreciation of the bolivar and thereby fuel inflation.

## Wider lessons

The Venezuelan experience holds wider lessons about the limitations of central bank autonomy. It suggests that a strong central bank needs the type of institutional backing that is lacking in many states in Latin America and elsewhere. Legislation alone is no guarantor of independence, especially in those places where the executive is accustomed to restrictions on its exercise of power.

It also shows that unless there is a broad national consensus over the importance of low inflation and over the means of achieving it, even a nominally independent central bank will be relatively weak. Achieving that national consensus takes either a long time or an economic crisis, such as the hyperinflation which overtook Argentina in 1989.

Mrs de Krivoy understood this. In an interview last year, she described an important part of her mission as "having to explain that it's not just a matter of forcing interest rates to come down in a way that doesn't reflect the true situation of the country". It is to be regretted that she failed to convince those who most needed to be convinced: Mr Caldera and his ministers.

Korean vehicle makers are appearing at uncomfortable speed in the rear-view mirrors of their rivals from North America, Europe and Japan.

With stunning disregard for warnings from western carmakers about overcapacity in the world auto industry, the leading Korean producers are expanding assembly capacity at a rate that recalls the startling growth of the Japanese industry in earlier decades.

The announcement by Kia, the second-largest Korean carmaker, that it plans to start assembly of four-wheel-drive sports/utility vehicles in Germany - the vehicles will be assembled by Karmann, the German automotive engineering group - is the latest move to mark Korea's rapid advance into world auto markets.

Supported by a rapidly growing, and until now highly protected, domestic market, Hyundai, Kia and Daewoo are determined to break into the industry's front ranks. Exports, both to developing countries and to the established regions of North America and Europe, are growing, as is the scope of plans for foreign assembly plants.

Hyundai Motor, the leading South Korean carmaker, plans to increase vehicle production capacity by 60 per cent to 2m units by 2000 from 1.25m at present, according to Mr Se Yung Chung, group chairman. It is planning to build more foreign production sites to enhance its presence in overseas markets, he says.

"We envisage manufacturing operations in North America, Europe, south-east Asia and in the Middle East."

Individually Hyundai, Kia and Daewoo are all voicing the ambition of becoming one of the world's top 10 producers, an aim that would mean shouldering the likes of Mitsubishi, Mazda, Chrysler or Fiat.

The threat of a growing tide of Korean exports allied to the high barriers to foreign car imports in the domestic market, where imports accounted for well below 1 per cent last year, are rapidly forcing the issue of Korean expansion towards the top of European carmakers' agenda.

"South Korea, one of east Asia's 'tigers' has been pursuing an aggressive export policy, which seems set to disrupt markets, not only for the Europeans and Americans, but also for the Japanese themselves, who are being hurt by the high yen, and from whom the Koreans have learned a great deal," the European Automobile Manufacturers' Association (Aeca) warned this week.

Kia has just launched its cars into the US for the first time under its own brand name. Mr Greg Warner, executive vice-president of Kia Motors America, states openly that

as western politicians work themselves into a moral frenzy over Bosnia, there is something refreshing about a senior western diplomat who is dubious about the role of ethics in foreign policy.

The diplomat is Mr David Gore-Booth, British ambassador to Saudi Arabia, and former head of the Middle East department at the Foreign Office. His world-weary mustangs on the rights and wrongs of arms sales provide one of many startling vignettes in a documentary series on the British diplomatic service entitled *True Brits*, to be screened on BBC2 over the next six weeks, starting tonight.

"You have to factor in the morality because that is what British public opinion and the British value system demands," he says, throwing open their doors, the diplomats have been remarkably bold.

In one episode, we see the pragmatic Mr Gore-Booth, who speaks for British policy at its most hard-boiled and mercantile. In another, we meet two women diplomats who are blazing idealists.

There is the formidable, elegant Ms Gwynne Evans, head of the UN department, who is unmarried, a self-confessed workaholic, who has devoted her working life to what she calls "public service". We see

her visiting Sarajevo, where she sits stolidly through an artillery battle, makes some proposals about how to defend aid convoys and attends Mass in a local church. She is too clever to think there are easy answers in Bosnia, and that makes her all the more likeable.

That said, most viewers will relate more easily to the engaging, vulnerable personality of Ms Frances Guy, a young Scotswoman who deals with Iraq. One moment she is saying goodbye to her husband and baby daughter in a modest London home; the next she is helping the Kurds of northern Iraq rebuild their villages under cover of the "no-fly" zone.

The two women seem at times to live on a different planet from Mr Gore-Booth. On reflection, however, the worlds of all three are closely intertwined. Ms Guy may represent a gentler school of diplomacy than Mr Gore-Booth, but she too has realpolitik to consider. With disarming frankness, she explains the reason why she cannot be too zealous in promoting self-government among

Nowadays he just throws the question back, asking under what circumstances he might make a comeback. Glimly, he says he does not believe a credible scenario exists.

Why he should be upset by that, given the present government's manifold troubles, is another question.

Makes Saenz

Emilio Ybarra, the coolly collected chairman of Banco Bilbao Vizcaya, is angry. On Monday night he lost out to Spanish banking's other Emilio - Banco Santander's Emilio Botin - in the takeover race for Banesto. Now Botin has recruited BBV's brightest and best to manage the bank.

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## Business interests row delays Berlusconi's call to power

By Robert Graham in Rome

The expected call to Mr Silvio Berlusconi yesterday to form Italy's 53rd postwar government was delayed amid fears of a conflict of interest over the media magnate's Fininvest empire and a row over allocating ministerial posts, especially the key interior ministry.

President Oscar Luigi Scalfaro had been expected to ask Mr Berlusconi to form the government yesterday, a month after he led the four-party Freedom Alliance to victory in general elections.

But it became clear that Mr Berlusconi was not yet ready with his cabinet and many politicians were unhappy about the suggested formula for distancing his new political responsibilities from his ownership of Fininvest, the second-largest media

group in Europe. Last night, officials said the move had been put back 24 hours.

Mr Scalfaro proposed on Tuesday that he himself act, in his role as guardian of the constitution, as guarantor against any conflict of interest. But that vague proposal left many perplexed.

The populist Northern League has threatened to press for Mr Scalfaro's resignation once the new government is formed, and several members regarded that as a disguised means of ensuring that the president remained in office. The view was also shared by the neo-fascist MSI/National Alliance, the other main component of the future government along with Mr Berlusconi's Forza Italia.

However, it appears that Mr Scalfaro stepped forward only

because it had been impossible to agree an independent watchdog to monitor any conflict of interest. The opposition parties on the left were reluctant to see such a role conferred on parliament because the Freedom Alliance had an absolute majority.

Mr Berlusconi has not detailed how he believes he can act as prime minister and retain ownership of the second-largest private group in Italy. "The matter will be resolved by common sense; my behaviour will be judged by parliament, the press and the public," he said.

Mr Mario Segni, leader of the centrist Italian Pact, told Mr Scalfaro during formal consultations on the formation of the next government this week that Mr Berlusconi's business interests were an insuperable obstacle to the media magnate's assuming the

premiership. The conflict of interest was raised in varying degrees by everyone consulted by Mr Scalfaro - not least by Northern League leader Mr Umberto Bossi. Hurdles also remained over ministerial appointments. The League has been fighting a tough rearguard action to secure the key interior ministry. That portfolio has always been in Christian Democrat hands and traditionally has been a source of enormous power. The battle underlined the difficulties faced by Mr Berlusconi in putting together a cohesive team.

The new government is expected to be shunter than previous ones but will balance the weights of Forza Italia against the League, the MSI/National Alliance and the small rump of the old Christian Democrats, the Christian Democratic Centre.

## EC presses for free market in mobile phone systems

By David Gardner in Brussels

The European Commission called yesterday for full liberalisation of EU mobile telecommunications, in a move aimed at overcoming fragmentation within the Union market and consolidating Europe's place in the world market.

The Brussels appeal is the first step towards the EU goal of total telecommunications liberalisation by 1998. It is contained in a 226-page green paper adopted by the Commission yesterday after two years of research.

The paper is unusually prescriptive for a consultative document, and takes clear aim at the barriers holding back the potential of what the Commission and market research predict will be the fastest growing area in telecommunications.

The paper says the pan-European GSM (Global System for Mobile communications) is establishing itself as a main ref-

erence technology for digital mobile systems, and could become the global standard.

Europe's mobile telephony infrastructure suppliers have an international comparative advantage, it says. But nationally oriented and technology-based licensing has resulted in parallel national systems, with no consistent approach to provision of compatible, cross-border services.

That "failure to adjust to market requirements could jeopardise Europe's current strong position," the green paper warns.

Mobile communications experts point out, however, that the US and Japan are likely to use non-GSM technology.

By 1995 the US will have 20m cellular telephones, but the move from existing analogue systems to digital ones is being complicated by a Federal Communications Commission requirement that new digital technologies such as GSM must be compatible with existing analogue systems.

The Brussels green paper advocates five main changes:

- Abolition of all remaining exclusive or special licensing rights in the sector.
- Removal of all restrictions on the provision of mobile services across the EU.
- Full freedom for mobile operators to develop infrastructure networks, whether by providing their own or sharing another company's infrastructure.
- Full freedom to offer combined services via both fixed and mobile networks, which implies the right of independent operators to bid for licences on the fixed networks.
- Mutual recognition of standards and equipment type approval, co-ordination of licensing and award procedures, to boost trans-European mobile networks.

The Commission predicts 40m mobile communications users in the EU by 2000, and eventually more than 200m.

## Paris told to open up Only routes

Continued from Page 1

could be a condition for approval of the state aid but it is strongly resisted by trade unions.

Paris has a month to appeal to the Council of Ministers, which could overturn the order with a qualified majority. The solid bloc of airline liberals led by the UK makes this recourse unlikely, leaving France the possibility of action through the European Court of Justice.

France had agreed to the Third Aviation Package. Moreover, as part of the 1990 deal under which the Commission approved Air France's takeover of Air Inter and UTA, the long-distance carrier, Paris had promised to open up eight routes, including from Orly to Marseilles and Toulouse.

"The Commission has decided that the undertakings of 1990 have not been respected," a Commission spokeswoman said.

## \$1bn boost for US high-tech challenge

 By Louise Kehoe  
 in San Francisco and  
 Michio Nakamoto in Tokyo

The US government is expected to announce a \$1bn package today to fund the development and manufacture of flat panel displays, such as those used in portable computers. This represents the largest US government-funded programme for commercial technology.

Japanese companies dominate the \$4bn-a-year flat panel display market. That has long been a concern for the US Defence Department, which increasingly uses flat panel displays in military systems, as well as for the US computer industry, which is

dependent upon foreign suppliers.

Industry groups have been urging the US government to provide funding to help establish flat panel display manufacturing in the US for several years.

The Clinton administration has increased technology development funding and is expected to announce matching funds of up to \$500m for companies willing to establish flat panel display manufacturing in the US.

The goal is to establish four large-scale manufacturing sites in the US that eventually would supply about a sixth of world demand for such displays.

Until now US government funding has focused largely on

research and development. The Defence Department's Advanced Research Program Agency has provided funds to companies developing equipment to make flat panel displays. The Pentagon is also subsidising construction of a pilot production line.

Those efforts will now be expanded, with the Defence and Energy Departments expected to provide a total of \$450m, over the next five years, in grants.

The displays are considered to be one of the few critical technologies in which the US has failed to keep pace with foreign competitors. Sharp of Japan, the world's largest producer by far, is estimated to have a 50 per cent market share. NEC, which has about

14 per cent of the market, aims to raise that to 30 per cent by next year.

In order to stay ahead in the race to dominate the expanding market, Japanese companies have been aggressively building up capacity. Sharp, which already has two plants and produces about 100,000 10-inch display panels a month, is adding a third, planned to come on stream next year.

NEC, Hitachi and Toshiba are investing or planning to invest in the field, and IBM and Toshiba have a joint venture in Japan.

South Korean manufacturers, including Samsung and Goldstar Electronics, have also recently entered the market.

### THE LEX COLUMN

## Unenterprising approach

Enterprise Oil has lost the first round in the battle for Lasso. Its opening shot, a statement extracted from it by the Takeover Panel against its will, failed to make clear whether it was going to bid or not. Reading between the lines, there is little doubt that chairman Mr Graham Hearne's ambition is to acquire Lasso. But yesterday's indecisive statement will have done nothing to deter rival bidders, whether British Gas or some international group, from entering the fray. It also failed to provide any rationale for putting the groups together.

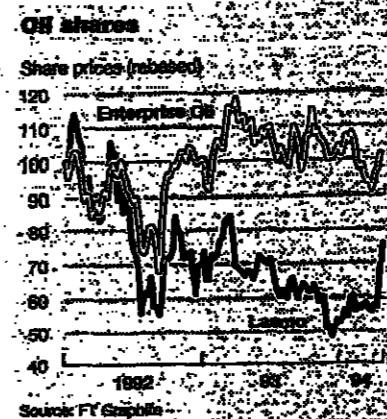
The industrial logic of merging the two companies looks pretty thin. There may be cost savings from cutting overheads in a larger group. But a bigger organisation could also lack the dynamism needed to discover new oil and gas reserves - a task at which neither company has excelled recently. Nor is it as though Mr Hearne can plausibly sell himself as the man to put Lasso's house in order following the Ultramar fiasco. Under chief executive Mr Joe Darby, Lasso has already done much of the stable cleaning for itself.

The financial logic also seems lacking. Given that Lasso's £219m rights issue is now irreversible, Enterprise can no longer argue that its smaller rival is desperate for cash to shore up its balance sheet. Moreover, at current oil prices, a merger would dilute Enterprise's earnings per share. The suspicion is that Mr Hearne simply enjoys the idea of running an even larger empire. Enterprise will presumably think up some clever arguments for combining the groups if and when it bids. But it is now starting from behind.

### Germany

The Bundesbank has been miserly with interest rates for so long that yesterday's generous cut in the repo rate comes as something of a shock. The quarter-point reduction in the discount rate a fortnight ago has already been reflected in money market rates. This is especially surprising given the improving economic outlook. There are still risks, but German government forecasts of 1.5 per cent growth this year no longer look over-optimistic.

Still, the Bundesbank has a record of cutting interest rates after the economy has turned, as it did in 1982-83. Inflation is widely expected to fall this year, so real rates would rise without further action. Most independent

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growth forecasts have been nudged higher in anticipation of a strong export performance, which should not rekindle inflation while output remains well below trend. With M3 growth running at 15 per cent in March, money supply poses the only credible inflationary threat. This gives the Bundesbank a strong argument for caution on the pace of interest rate reductions.

The explanation for its recent sprint may lie with the foreign exchange markets. The weakness of the dollar this year has meant an effective tightening for Germany, especially if exporters are expected to drive recovery. The Bundesbank may also be trying to relieve pressure on the French franc. Even allowing for its delight in wrong-footing financial markets, though, an official rate cut following today's council meeting looks unlikely.

### Williams Holdings

The rights issue from Williams Holdings is an admission that the company does not expect to generate sufficient cash internally to fund its bolt-on acquisition programme. But then the recent pace of spending has been such that it would have been hard to imagine anything else. At least the issue secures the funds to carry on for a couple of years without constant pressure on gearing. And the purchase of Solway's woodcare and tile adhesive businesses looks sensible. The products have a strong market presence, there is room for margin improvement and the acquisition should help European distribution of Cuprinol.

That said, Williams must actually come up reasonably soon with yet more acquisitions at prices which will enhance its earnings. Otherwise it would not only stand accused of simply raising capital for purchases already made, but also dilute earnings at a time when tight cover is likely to hold back dividend growth compared with other manufacturing companies.

Williams obviously believes it can clinch the necessary deals. Yesterday's share price fall just below the 50p rights price suggests the market turns marginally on the side of scepticism. A policy of focused acquisitions looks a sensible strategy for the 1990s. It would be comforting to think that when the rights money is spent, the pace will have slowed to one that could be reasonably financed by internally-generated funds - and that the cash will be flowing to support it.

### Compass

Compass shareholders of a nervous disposition will fear their company has lost its bearings by buying Canteen. The likely rewards seem out of all proportion to the certain risks. Corporate UK's record of buying US people businesses is atrocious. There must be a real danger Compass will only extend that run.

Compass argues it was able to negotiate exclusively with Canteen's parent, Flagstar, and is buying it at a fire-sale price. If so, Kohlberg Kravis Roberts, Flagstar's 67 per cent shareholder, should string up its managers by the thumbs. Canteen would surely be worth more to a US rival, which could have rationalised the merged business. They may also have paid a premium to keep a better-capitalised competitor at bay. But the exit multiple of 19.5 times is hardly cheap, even though tax benefits effectively reduce it to 15.1 times. There must be doubts about how quickly Compass can turn Canteen around given its poor trading history: its margins have fallen from 5.5 per cent to 3.3 per cent since 1990 on static turnover. As a subsidiary of such a highly-indebted parent, Canteen is unlikely to be carrying excessive costs. Additional investment will be needed to expand.

Compass shareholders may be tempted to back the company's adventurous leap, considering the rights issue price is at a 28 per cent discount to last month's peak price. The shame is that Compass had been doing perfectly well expanding its UK business at a fair risk and minimal risk.

**FT WEATHER GUIDE**

### Europe today

The Benelux, northern France and northern Germany will have a mostly cloudy, misty morning followed by some afternoon sunshine. Southern Scandinavia will be cloudy with periods of rain, especially along the west coast. Further north, it will stay mainly dry with sunny periods. Occasional rain is expected in Ireland and western Scotland, while England will have a damp and dull morning. Southern Europe will be sunny and warm, but the Balkans will have limited sunshine with widespread showers. Fewer showers will occur along the Black Sea coast of Turkey.

### Five-day forecast

Most of the continent will be rather sunny and warm on Friday, though Scotland and Scandinavia will remain cloudy with periods of rain. South-east Europe will also be unsettled. The Balkans will have a few showers, but southern Turkey will see more widespread showers and thunder storms. Conditions in this region will improve during the weekend. Western Europe will turn cooler with scattered showers as a front approaches from the north. The front will eventually stall over central France on Sunday.

**TODAY'S TEMPERATURES**  

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	35	25	Beijing	22	15	Caracas	29	24
Algiers	28	20	Bombay	32	25	Casablanca	24	18
Amsterdam	18	12	Buenos Aires	28	20	Chicago	24	18
Athens	28	20	Cairo	32	25	Cologne	24	18
Bahia	28	20	Calcutta	32	25	Dallas	24	18
Bangkok	32	25	Chengdu	22	15	Dubai	32	25
Batavia	28	20	Delhi	32	25	Hankow	22	15
Bombay	32	25	Hong Kong	28	20	Helsinki	18	12
Buenos Aires	28	20	Kobe	22	15	London	18	12
Cairo	32	25	Manila	28	20	Luxembourg	18	12
Calcutta	32	25	Mexico City	28	20	Lyon	18	12
Chengdu	22	15	Moscow	18	12	Madrid	28	20
Delhi	32	25	Nairobi	28	20	Manila	28	20
Dubai	32	25	Rangoon	28	20	Marseille	18	12
Hankow	22	15	Reykjavik	12	8	Medan	28	20
Helsinki	18	12	Rio	28	20	Montreal	18	12
London	18	12	Sao Paulo	28	20	Moscow	18	12
Luxembourg	18	12	Singapore	32	25	Munich	18	12
Lyon	18	12	Stockholm	18	12	Nairobi	28	20
Madrid	28	20	Strasbourg	18	12	Nice	28	20
Manila	28	20	Sydney	22	15	Norfolk	18	12
Marseille	18	12	Taipei	28	20	Osaka	22	15
Medan	28	20	Tokyo	22	15	Perth	28	20
Montreal	18	12	Toronto	18	12	Prague	18	12
Moscow	18	12	Vancouver	18	12	Reykjavik	12	8
Munich	18	12	Wellington	18	12	Rio	28	20
Nairobi	28	20	Zurich	18	12	Sao Paulo	28	20
Nice	28	20				Singapore	32	25
Norfolk	18	12				Stockholm	18	12
Osaka	22	15				Strasbourg	18	12
Perth	28	20				Sydney	22	15
Prague	18	12				Taipei	28	20
Reykjavik	12	8				Tokyo	22	15
Rio	28	20				Toronto	18	12
Sao Paulo	28	20				Vancouver	18	12
Singapore	32	25				Wellington	18	12
Stockholm	18	12				Zurich	18	12
Strasbourg	18	12						
Sydney	22	15						
Taipei	28	20						
Tokyo	22	15						
Toronto	18	12						
Vancouver	18	12						
Wellington	18	12						
Zurich	18	12						

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## INTERNATIONAL COMPANIES AND FINANCE

# Finmeccanica issue to reduce state holding

By Andrew Hill in Milan

Finmeccanica, the Italian state-controlled engineering and defence group, is planning to raise about L1,700bn (\$1bn) with a rights issue, which should reduce the state's shareholding to 58 per cent from 85 per cent.

The company described the capital increase, announced yesterday, as a means of privatising a large part of the group, which is the main industrial and high-technology arm of IRI, the state holding company.

IRI will subscribe L493bn for new shares in Finmeccanica, and a further L1,000bn will be provided by a consortium of Italian and international banks and financial institutions. The balance will be raised directly from the market.

Finmeccanica intends to issue 852m ordinary shares, at L2,100 each, on a one-for-one basis for each ordinary or savings share already held. Finmeccanica's shares closed before yesterday's announcement at L2,482 in Milan.

Finmeccanica also announced a group net profit of L33.3bn for 1993, in spite of a first half loss of L159.5bn. This compares with a L188bn net profit in 1992. Turnover was slightly down at L10,971bn against L11,126bn.

The rights issue is the latest step in a restructuring and privatisation of Italy's state-owned industry. In March, the outgoing government gave the go-ahead to reorganisation of the state-controlled defence industry with a L4,068bn increase in capital for seven companies.

The formula allowed the companies, including helicopter manufacturer Agusta, to pass from Efm, the state holding company now in liquidation, to Finmeccanica without burdening the new owner with an estimated L7,000bn in debts. Finmeccanica already controls the Alenia aerospace group.

Finmeccanica said yesterday that the capital increase would be used for the acquisition of Agusta and its sister companies, and for the reduction of its own debts, which stood at L5,097bn at the end of 1993, against L5,310bn in 1992.

During 1993, Finmeccanica sold minority stakes in Union Switch & Signal and Elsas Bailey Process Automation on the US stock market, and floated a 19 per cent stake in its subsidiary.

# Williams' cash call prompts share fall

By Peggy Hollinger in London

Williams Holdings shares fell 9p to 379p in London as the UK industrial conglomerate called on shareholders for £267m (\$404m) to carry it through the next set of acquisitions.

The rights issue confirmed speculation over how Williams would fund its strategy to build up its three core divisions - fire protection, security and building products.

The group has spent £205m on acquisitions in the past 18 months and was perceived to be constrained by a balance sheet weakened through goodwill write-offs and increasing debt. Analysts feared that without a rights issue Williams would be forced into a series of vendor placings to fund acquisitions.

"Even a small acquisition could have resulted in a substantial increase in gearing," said Mr Ian Hillier of brokers NatWest Securities. "They now have flexibility and... can utilise the cash flow which will be coming through from recovery." After the issue, debt as a percentage of shareholders' funds will fall to 7 per cent from 75 per cent.

Proceeds from the cash call, a one-for-seven issue of 82.9m shares at 330p, will fund the £64m purchase of a building products business in Europe.

Mr Nigel Rudd, Williams' chairman, said the balance of the rights cash would be used for a series of "bolt-on" acquisitions, particularly in Europe. Further announcements are expected in the second half of the year.

The acquisition of the wood-care and adhesive businesses of Solvay, the Belgian chemicals group, marks Williams' first large purchase on the continent and is its third buy in four months. Williams last month paid \$50m for a US burner management systems group. The businesses returned pre-tax profits of £7.9m, before one-off items such as pension costs which will not be incurred by Williams. Sales for the combined businesses were about £90m. *Lex, Page 14*

# Hutchison stands by its Orange

The Hong Kong group is bullish about the UK, writes Simon Davies

For a man who less than five months ago killed Hutchison Whampoa's Rabbit CT-3 phone system at a cost of HK\$1.4bn (\$182m), Mr Canning Fok, chief executive, is surprisingly gung-ho about UK telecommunications.

The 42-year-old Hutchison chief yesterday launched the company's Orange Personal Communications Network (PCN) in the UK, saying Hutchison has expanded its budget for the system, due to the increasingly positive outlook.

"When we did our business plan in September, we didn't envisage the current level of growth. We are extremely encouraged by the market place," said Mr Fok.

He will have to go some way to silence detractors, who feel Hutchison would do better to concentrate on its core area: the higher growth economies of Hong Kong and China.

The detractors have history on their side. The push by Mr Fok's predecessor, Mr Simon Murray, to diversify Hong Kong's largest trading conglomerate away from its reliance on the colony, has achieved little more than management turmoil and losses.

In 1991 and 1992, the company wrote off HK\$2.2bn against its investment in Husky Oil, the Canadian energy company, which had collapsed.

In 1993, as Husky recovered, the UK telecommunications



Canning Fok: 'we are extremely encouraged by the market place'

business contributed an exceptional loss of HK\$1.4bn, and operating losses all but wiped out the sizeable contribution from the successful Hong Kong telecommunications business.

Analysts say the overseas businesses may have lost HK\$5bn between 1989 and 1994. The latest cost is the HK\$417.4m redundancy payment to the strategy's main architect, Mr Murray. Since Mr Fok took over in September, overseas operations have scarcely rated a mention in company statements and annual reports.

The latter states that Hutchison "will continue to develop its businesses in Hong Kong, with increasing emphasis on expansion of those businesses in China". Yesterday, however,

Mr Fok said he would silence detractors of these overseas businesses in the most fundamental way: by demonstrating strong profits.

He has set a precedent. Star Television was dismissed by brokers as a black hole, but Hutchison achieved a HK\$1.6bn exceptional profit last year from selling a 64 per cent stake to Mr Rupert Murdoch's News Corp.

So far, Hutchison has invested \$500m (\$752m) in the UK business, according to Mr Fok, and a further £250m will be ploughed in over the next few years. The business is not budgeted to contribute a cent until 1997, Mr James Golub, analyst at Warburg Securities in London, said the system

would be handicapped by the high price of handsets and the lack of consumer distinction between the analogue and digital services.

Standard Chartered Securities is expecting Orange to make losses of more than HK\$500m per year for the next two years. Mr Fok said the operating performance remained within budget, and he refuted the assumption that the Orange system would be sold.

Mr Fok admits that Hutchison is not looking to develop new businesses outside south-east Asia, but that Orange "does not stick out like a sore thumb" in the context of Hutchison's ambitious telecommunications strategy in Hong Kong.

It is planning to invest HK\$3.5bn in building up a fixed line network as Hong Kong Telecommunications' monopoly position gradually fades. It is bidding for a PCS licence in Hong Kong, where new entrants such as What and New World Development are making telecommunications a more competitive business.

In the short-term, Hutchison's Asian property, container terminal and energy businesses can more than smooth over UK losses. Standard Chartered forecasts net profit to increase 22 per cent to HK\$7.7m this year, in spite of Orange.

# Bayer rises 18% to DM755m

By David Waller in Frankfurt

Bayer yesterday became the second of Germany's big three chemicals groups to report a robust increase in profits for the first quarter of this year.

The group said pre-tax profits rose by 18 per cent to DM755m (\$444m) in the three months ended March, reflecting the impact of extensive cost-cutting measures and an increase in all business sectors.

The results follow Hoechst's 16 per cent increase in first-quarter pre-tax profits,

announced on Tuesday. Figures from BASF, due today, are likely to reinforce the impression that recovery is firmly under way in the European chemicals industry.

Bayer confirmed its earlier forecast that profits for 1994 would rise by 15 per cent to 20 per cent. Last year, pre-tax profits fell 12.6 per cent to DM2.35bn.

Group sales in the first quarter rose by 6 per cent to DM11bn, mainly because of a 5 per cent increase in volume sales.

Exchange rate movements

contributed 3 per cent of the increase. Together these factors offset a 2 per cent fall in selling prices.

Bayer explained that while sales were little changed in Germany, marked growth in Italy, the UK and the Benelux countries offset the downward trend in France and Spain. Sales in Europe rose 2 per cent to DM6.6bn and by 9 per cent in the US to DM2.5bn.

There was a 22 per cent increase in sales in Asia, half of which was due to the increase in the value of the yen.

# Orenstein plans DM144m rights

By Michael Lindemann in Bonn

Orenstein and Koppel, the German construction equipment maker, plans to raise DM144m (\$85m) with a rights issue and expects a "modest overall profit" this year.

The company reported a 1993 loss of DM65m, compared with a DM116m loss the year before. Krupp Hoesch, the steel and engineering group which owns 75 per cent of O&K, is to take up any new capital not sub-

scribed by minority shareholders. The company said its shares would resume trading today in Frankfurt, following a one-day suspension.

No dividend will be paid this year and the company is not expected to have sufficient funds for a dividend in 1995.

Mr Manfred Link, chief executive, has ordered a 30 per cent pay cut for members of the management board and a 15 per cent cut for senior executives. Mr Link hopes this

will save the group DM16m.

O&K lost DM3m on ordinary activities last year, but has set aside a further DM60m to finance ongoing redundancies.

The company said a further 750 jobs would be lost this year, leaving the company with about 4,550 employees by the end of 1994.

Redundancy costs were high because the workers being made redundant had been with the company on average for 14 years, it said.

# Unions urge protection for bank shareholders

By Andrew Hill

Italian bank trade unions yesterday called on a new government to protect small shareholders against the influence of institutional investors on the boards of Italy's newly privatised banks.

In the last 10 days, the outcome of shareholder meetings at Banca Commerciale Italiana and Credito Italiano has led to claims that the state sell-off has concentrated power in the hands of a few institutions, led by Mediobanca, the secretive Milan merchant bank.

On Tuesday, BCI's new

board named Mr Lionello Adler as chairman, following the unexpected departure of his predecessor at Saturday's shareholder meeting.

Mr Adler is chairman of Carriere Burgo, a quoted Italian paper manufacturer which owns just over 1 per cent of BCI and has strong links with Mediobanca.

The merchant bank is said to have been behind a last-minute decision to remove BCI's former chairman, Mr Sergio Siglienti, from a list of 14 BCI directors proposed at the group's shareholder assembly on Saturday.

# EniChem seeks buyer for detergent division

By Andrew Hill

Shares in EniChem Augusta, the Italian manufacturer of intermediate chemicals for detergents, rose sharply on the Milan stock market yesterday after its parent company announced it would sell its majority stake.

About 84.25 per cent of EniChem Augusta belongs, directly or indirectly, to EniChem, the loss-making petrochemicals subsidiary of the state-owned Eni energy and chemicals company.

EniChem announced on Tuesday that it had appointed

Swiss Bank Corporation's mergers and acquisitions arm to seek a buyer or buyers for its EniChem Augusta stake.

Yesterday, there was lively activity in the few shares of EniChem Augusta quoted in Milan, with the price rising from L2,850 to L3,175 at the close. At that price, the sale could raise more than L300bn (\$177m) for the parent company, which is trying to cut debts of about L10,000bn.

Last week, EniChem Augusta reported a net profit of L24.9bn for 1993, against L19.4bn in 1992, on turnover of L735bn, up 15 per cent.

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Arab Banking Corporation (B.S.C.), Singapore Branch

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Cho Hung Finance Limited

Commonwealth Bank of Australia, Singapore Branch

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Bank Bumiputra Malaysia Berhad, Hong Kong Branch (RLB)

BRI Finance Limited

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Korea Commercial Finance Limited

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Korea Industrial Leasing Company (Hong Kong) Limited

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The Mitsui Trust &amp; Banking Co., Ltd., Singapore Branch

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INTERNATIONAL COMPANIES AND FINANCE

# China introduced to new foreigner-friendly exchanges

The SEC has eased regulations to encourage more overseas companies to list shares in the US, writes Patrick Harverson

Mr Arthur Levitt, chairman of the Securities and Exchange Commission, is expected to sign a memorandum of understanding with his Chinese counterparts today in what should be the first step towards allowing more companies from that country to list their shares on US stock exchanges.

The agreement, which commits the SEC to provide technical assistance to Chinese regulators, can be seen in the context of a long-running campaign by the SEC to attract more foreign companies to sell their shares in the US. It follows a series of measures adopted by the SEC last week designed to make it easier and cheaper for foreign companies to tap the US capital markets.

In lightening the regulatory load on prospective foreign issuers, the SEC wants to ensure the US remains competitive with other important world markets as a source of capital for foreign issuers. It also wants to ensure that demand from US investors for foreign securities is not stifled by the SEC's strict reporting requirements, which many foreign companies find costly and time-consuming.

Last week's measures include:

- allowing foreign companies

to present cashflow statements prepared in accordance with international accounting standards, rather than US accounting principles as currently required;

- allowing more companies to use a shorter form of the SEC's standard documentation, which will reduce the cost of filing the forms;
- and simplifying the process of registering share issues with the SEC.

Other, earlier, changes in a similar vein have involved broadening the category of US institutions allowed to buy and resell privately-placed securities issued by foreign companies; accommodating foreign reporting practices, which do not include the release of US-style quarterly reports; and granting individual companies exemption from SEC rules governing the trading of securities immediately after their distribution.

Ms Linda Quinn, director of the SEC's division of corporate finance, says of the recent changes: "This is all part of a concerted effort by the SEC to make clear to foreign issuers that they are welcome in the US. While information is the key to accessing the US market, we recognise the issue of cost and try to be responsive to that without compromising the quality of



Arthur Levitt: SEC is committed to helping Chinese regulators

the information being provided."

The SEC has been looking to accommodate foreign issuers' needs - it knows that in the past, its strict standards of financial disclosure have deterred many foreign companies from selling their shares in the US. With US investor demand for foreign stocks growing rapidly, the SEC did not want to obstruct the market's growth.

"There is tremendous appetite from US investors" for for-

sign securities, says Mr David Boyle, head of Citibank's ADR and corporate trust business. He points out that in 1992, US investors owned \$19bn of non-US equity securities. "By 1992, that figure had grown to \$190bn and, by the end of the decade, it is forecast to approach nearly \$1,000bn."

The growing hunger for foreign investments in the US has caught the eye of overseas issuers, many of whom - particularly the newly-privatised companies of central Europe

and Latin America - find that their domestic markets are incapable of supplying enough demand to meet their capital needs. Consequently, foreign stock issuance in the US is running at record levels.

According to the financial information group Securities Data, \$2.7bn of common stock was sold by non-US companies in the first quarter of this year, well up on the \$1.3bn in the same quarter of 1993. At the current rate, 1993's record total of \$9.05bn in non-US stock issuance should be broken this year.

The one area where the US capital markets do not lead the world is in foreign equity listings on stock exchanges. The New York Stock Exchange, for example, lags some way behind the London Stock Exchange - its main rival in the global securities markets - in foreign listings.

London lists 635 foreign stocks. Excluding the shares of Canadian companies - which have long been listed on US markets and which trade much like US companies - the NYSE lists only 138 foreign company stocks.

Among other US markets, the Nasdaq market lists 100, and the American Stock Exchange just 25. (In most cases, these are not listings of common

stock, but of ADRs, or American depositary receipts, which bundle individual shares into baskets sold to investors.)

US exchanges have blamed the SEC's strict reporting requirements for the fact they lag behind London. The most commonly-cited result of the SEC's restrictions is the absence of German or Swiss company share listings in the US.

German and Swiss accounting principles differ greatly from those in the US, especially in that they allow companies to disguise the true nature of their earnings performance. For years, the SEC insisted that German and Swiss companies meet US accounting standards; for years, German and Swiss companies refused.

A year ago, however, the SEC and Daimler-Benz, Germany's biggest industrial group, reached a compromise that allowed Daimler to list its shares on the New York Stock Exchange.

Although most of the compromising was done by Daimler, the company's arrival on the NYSE was hailed as a breakthrough. The NYSE hoped it would persuade other German and Swiss companies to seek a US listing.

Yet, since Daimler, no other German or Swiss companies

have come to the NYSE. Mr Richard Breeden, SEC chairman when Daimler decided to come to the US markets, is not surprised by this lack of follow-up.

"Typically, there is often a period of longer than a year after the first company from a country comes in. Other companies tend to sit back and watch [the first company's] experience for about a year, to see how the trading in the securities looks like, and what the benefits seem to be."

These days Mr Breeden helps foreign companies sell their shares in the US in his capacity as head of the financial services group at Coopers & Lybrand.

NYSE chairman Mr William Donaldson, while applauding the SEC's efforts to make it easier for foreign issuers to tap the US markets, still admits to some frustration at the slow pace of change. "We're moving in the right direction, but I'd like to see it happen faster," he says.

However, Mr Breeden points out that the SEC is not a trade association for US stock exchanges. "The SEC's core mission is to protect investors." He says it should not become involved in a global race to lower disclosure standards.

## Declining oil price hits profits at Chevron

By Patrick Harverson in New York

Chevron has become the latest US oil group to suffer from declining oil prices, with a 14 per cent drop in first-quarter earnings, to \$424m.

After special charges of \$36m to cover environmental remediation costs and the resolution of certain royalty issues with regulators, the group posted net income of \$388m, or \$1.19 a share.

Blaming lower oil prices for the earnings decline, Mr Ken Derr, chairman and chief executive, said the group's "crude oil realisations averaged about \$4 per barrel less than in last year's first quarter". He also said temporary stoppages squeezed the group's sales margins.

The negative impact of these developments was partly offset by higher production volumes and downstream sales margins from international operations, rising US natural gas prices, and lower operating and administrative costs, which fell 5 cents a barrel to \$6.47.

Total group revenues fell to \$8.3bn, from \$9.1bn in the same quarter a year ago.

## BCE ahead 15% in first quarter

By Bernard Simon in Toronto

Rising demand for value-added telephone services helped BCE, the Canadian telecommunications holding company, boost first-quarter earnings by 14 per cent.

But BCE, Canada's biggest private-sector company, warned yesterday that regulatory barriers in Canada could slow the convergence of telephone, television and computer technologies which has become a high priority of its corporate strategy.

"Investors are increasingly nervous about [the policy and regulatory] environment," Mr Red Wilson, chief executive, told the annual meeting in Toronto. "They perceive the regulatory framework as being uncertain, the direction of government policy as being unclear. We need to know which markets will be open to us as investors in Canada."

First-quarter earnings rose to C\$251m (US\$181.8m) or 74 cents a share, from C\$221m, or 66 cents, a year earlier. Revenues were C\$5bn against C\$4.73bn.

The bulk of the earnings came from Canadian telecom-

munications, mainly Bell Canada, the country's biggest phone company. Bell contributed C\$180m to consolidated earnings, up from C\$152m last year. The performance reflects higher sales of a growing array of optional phone services, growth of network access services, and payments from long-distance competitors for access to local networks.

BCE's other interests include a 53 per cent stake in Northern Telecom, the telephone equipment maker; 20 per cent of Mercury, the UK telephone company; and 30 per cent of Jones Intercable, a US-based cable-TV operator.

Northern Telecom contributed C\$63m of BCE's first-quarter earnings, up from C\$47m. But most of the 1994 contribution came from a C\$51m gain from the sale of a plant in Saskatchewan.

Mr Wilson said while recent results have been disappointing, BCE has firmly positioned itself in the telecoms business by selling all non-telecom assets. After costly diversification in the early 1980s, Mr Wilson pledged that telecoms is "the only business that we intend to pursue".

## Northern Telecom sells US finance arm

By Bernard Simon

Northern Telecom has taken another step in its restructuring by selling its US finance arm to GE Capital, the fast-growing US financial services group controlled by General Electric.

The sale of Northern Telecom Finance Corporation, based in Nashville, Tennessee, will raise about US\$600m. Proceeds will be used mainly to reduce Northern's long-term debt, which stood at \$1.51bn at the end of 1993.

GE Capital has launched an ambitious expansion strategy in recent months, ranging from

a \$2.2bn bid for Kemper, the Chicago-based financial and mutual-funds group, to the acquisition of Canada's biggest vehicle-leasing company, and an Austrian computer finance business.

Its assets totalled \$118bn at the end of 1993, and it has a strong balance sheet, having been one of the most consistently profitable US financial services companies.

Northern has raised more than \$1bn from asset sales. In the most recent, it sold its UK-based submarine cable business and a fibre-optic manufacturing plant in Saskatchewan.

## Leisure product sales bolster Bombardier

By Bernard Simon

Bombardier, the Canadian transport equipment maker, lifted fiscal 1994 earnings by almost a third, due chiefly to a surge in demand for its recreational snow vehicles and water craft.

The Montreal-based company's railway rolling-stock business continues to suffer losses from its Eurotunnel contract, though this segment is expected to return to the black this year.

The quarterly dividend has been raised to 7.5 cents from 5 cents.

Net earnings climbed to C\$175.6m (US\$127.2m), or C\$1.12 a share, in the year to January 31, from C\$132.6m, or 85 cents, in the previous 12 months. Revenues rose to C\$4.77bn from C\$4.45bn.

Pre-tax earnings from the motorised consumer products division soared to C\$78.4m from C\$28.6m. The sharp increase was attributed to

strong sales of the Sea-Doo (which resembles a waterborne motorcycle), a revamped line of Ski-Dos (which is a motorcycle with skis instead of wheels) and snow-blowers.

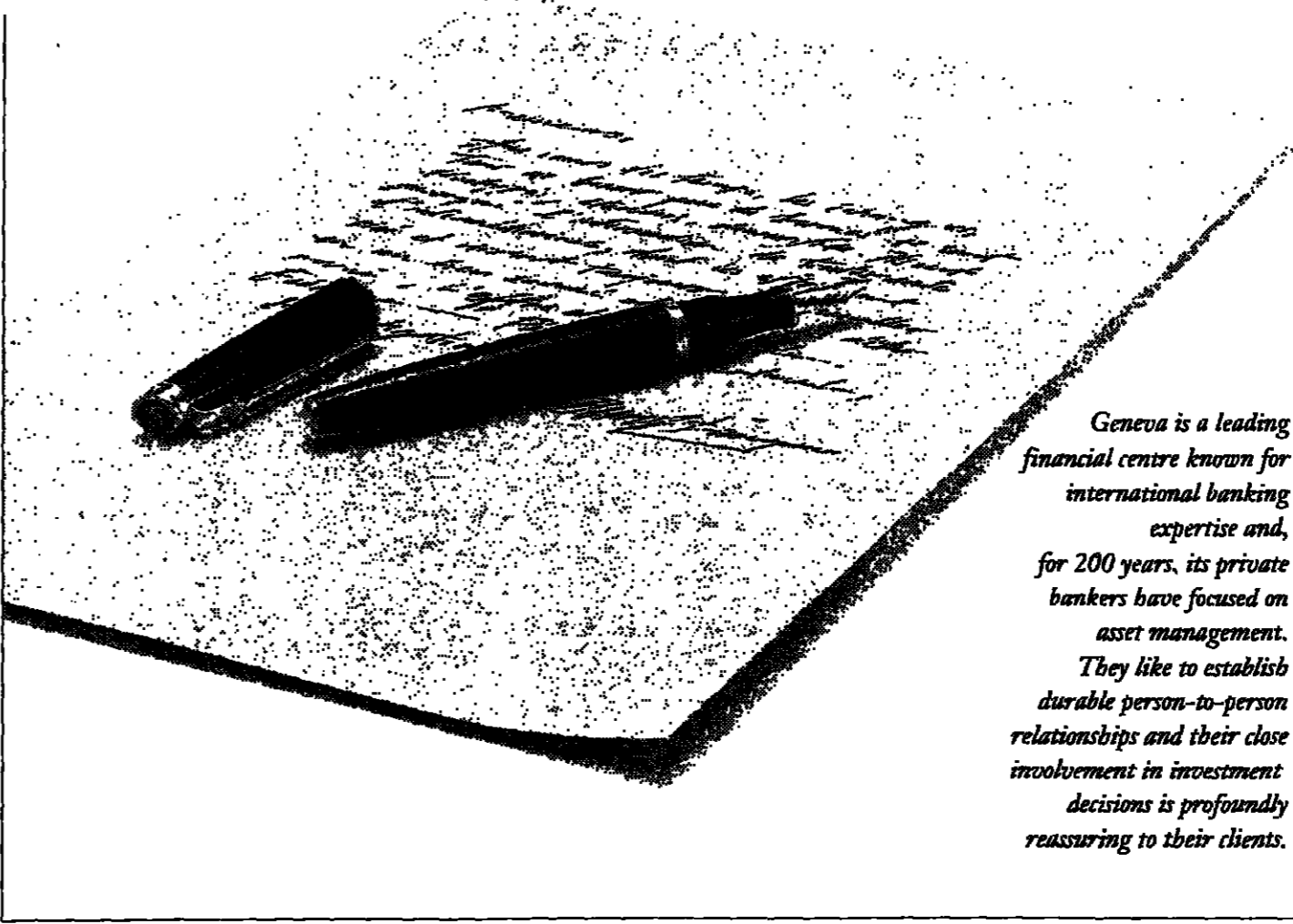
Aerospace income fell to C\$136.5m from C\$189.6m. Although revenues and operating income were unchanged, interest charges rose steeply, reflecting heavy capital investments.

Bombardier's aerospace interests include stakes in Short Brothers of Northern Ireland, the US business jet maker Lear, and De Havilland, the Toronto-based commuter aircraft maker.

Pre-tax losses from railway equipment narrowed to C\$23.9m from C\$72.6m, with revenues growing slightly to C\$1.3bn.

The company predicted a "slow recovery" in this segment in 1994-95, attributed partly to the settlement reached with Eurotunnel last December.

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## US power behind the telephone

Nynex Network Systems, the principal international subsidiary of Nynex Corporation, the US telecommunications company, yesterday stole the march on its competitors and announced plans to advise LianTong Communications, China's nascent second telephone operator, on its future development.

LianTong, which is the main beneficiary of the ending of the ministry of post and telecommunications' domestic telecommunications monopoly last December, plans to become a nationwide provider of telecommunications services in China within 10 years.

Foreign equity participation in the mainland telecommunications market is not permitted, but Nynex is well placed to benefit from any relaxation in policy. It is advising on the best way to structure what will be China's second common carrier, which has ambitions to control around 40 per cent of the mainland market within the next decade.

Although China has scaled back plans to develop the country's telecommunications infrastructure to

70m telephone lines by the year 2000, from the 100m originally planned, most observers still believe Beijing will have to allow foreign ownership. There are currently around 20m lines in China.

LianTong is jointly owned by

jointly study the feasibility of interconnecting the telecommunications networks operated by the power and railways ministries. The railway telecommunications network is the largest "private" network in China.

In addition, they will study

communications in China. He said both parties would benefit by "testing 21st century communications services".

Mr Henry Van Demark, executive managing director, greater China, said China was in a special position in being able to consider introducing advanced technology solutions for basic telecommunications needs.

The cost of providing a system capable of providing telephone, video on demand and karaoke is not much more expensive than a system providing a basic telephone service. But the longevity of the system - some 30 to 50 years - would be greater, he said.

Initially, however, the Nynex/MCI study will look at how to connect the rail and power ministries' telecommunications to see if they could be used as the foundation for the second telecommunications network which LianTong has been approved to offer. Approval has been given for excess capacity on the rail network to be used for long-distance communication.

### Nynex Network Systems will be advising an emerging Chinese network, writes Simon Holberton

three central government departments - electronics, power, and railways. The latter two possess extensive "private" telecommunications networks throughout China.

The company is capitalised at \$600m (\$5.8m), but may need as much as \$10bn through a combination of loans and equipment credits if it is to realise its ambitious growth plans, according to Nynex executives.

Nynex and the ministry of electronics industry (MEI) will

the technologies needed to deploy advanced telecommunications systems, such as combined telephony and entertainment systems, in selected Chinese markets. Nynex also said it and the MEI would study the formation of a joint venture that would help plan a second national telecommunications network in China.

Mr Joseph Farina, president of Nynex Network Systems, said the ministry of electronics was at the forefront of the movement to transform tele-

## CRA warns it may fail to maintain results

By Nikki Tait in Melbourne

CRA, the Australian mining and resources group in which BHP of the UK holds a 49 per cent interest, yesterday warned it was unlikely to match its 1993 operating profit result in the current year.

Mr John Uhrig, chairman, told the annual meeting in Melbourne that "if metal prices and currencies remain as they are at present there will be a substantial reduction in sales revenue in 1994, compared with last year, making it difficult to come near the 1993 level of profit from operations in 1994".

Last year, CRA saw sales revenue of A\$5.93bn (US\$4.17bn) and an operating profit before tax of A\$1.06bn, up from A\$730.7m in the previous year. Mr Uhrig said that, while the year "had started fairly strongly," coal profits had been hit by recent industry-wide stoppages called to protest at the price agreements reached between the Australian producers and Japanese buyers.

"The next three quarters will feel the impact of lower prices for iron ore and coal sold to Japan," he said.

The company, which has been critical of the Australian federal government's native title legislation and warned that this would drive exploration activity overseas, also said that it expected to concentrate around 70 per cent of its exploration efforts in Australia this year, compared with around 80 per cent last year.

Directors came under fire from an Indonesian representative, who queried the adequacy of compensation agreements being paid to local residents in project areas there and the provision of electricity and water to villagers. CRA, he was told, paid "what is proper and appropriate for the people, and the situations they are in".

## Kia considers supply deal

By John Burton in Seoul

Kia Motors of South Korea is considering supplying Ford of the US and Mazda of Japan, its two largest shareholders, with its Sportage four-wheel-drive sports utility vehicle.

Under the proposed arrangement, Kia would start shipping Sportage vehicles to Ford and Mazda later this year for sale in the US and Japan under their own badges.

In addition, Ford would assemble the Sportage in Australia and Taiwan from knock-down kits supplied by Kia, while Mazda would do the same in south-east Asia. The supply would be 50,000 units.

But the proposal is being

resisted by some Kia officials, who fear that it will reduce sales of the Sportage by Kia's expanding distribution network in the US.

Kia started establishing a distribution network in the US this year, with its two main products being the Sportage and the Sephia compact car.

Industry analysts predict that the Sportage could be particularly popular in the US, since its only direct competitor is Suzuki's Sidekick, a version of which is also sold by General Motors' Geo franchise.

Sportage is also helping Kia's export drive into western Europe, started last autumn with the Sephia. On Tuesday

Kia announced that it planned to assemble up to 30,000 of the vehicles annually in Germany in co-operation with Karmann.

Ford and Mazda, which hold 10 per cent and 8 per cent of Kia respectively, initially asked to be supplied with the Sportage last year. Kia turned down the request, saying that its annual production capacity of 50,000 Sportage vehicles could not meet their demand.

The company is now reconsidering the proposal at their request and holding negotiations on royalty payments.

If it accepts the proposal, Kia would boost production of the Sportage to 100,000 units by the end of the year at its factory in Asan, South Korea.

## Samsung defies car plant report

By John Burton

Samsung, one of South Korea's largest conglomerates, has said it will press ahead with the production of passenger cars in spite of possible government opposition.

It announced that it would start building a factory for passenger cars in July at a yet undetermined site and begin producing vehicles at the end of 1997, making it the country's fifth car company.

The statement followed a report on Tuesday by a state research institute warning that Samsung's entry into the car industry could lead to excess production capacity.

Samsung Heavy Industries is

holding negotiations with Nissan and Toyota on the supply of vehicle technology.

Korea's big three carmakers - Hyundai, Kia and Daewoo - have also expressed opposition to Samsung's entry, claiming it would severely disrupt the Korean motor industry.

The government may try to block Samsung's proposed car project by turning down its application for the import of foreign technology. Samsung is expected to file an application with the ministry of trade and industry next month.

The ministry has the right to refuse a foreign technology import request if it threatens the national economy.

The report by the Korea

Institute for Industrial Economics and Trade (KIET), which is associated with the ministry, could be used to block Samsung. It was commissioned by the Korea Automobile Manufacturers' Association, and warned that Samsung's import of Japanese technology would damage efforts to achieve technical self-sufficiency in the motor industry. It would also lead to increased imports of Japanese car components, harming the trade balance.

But the KIET also cited several advantages, including expanding consumer choices and forcing competing carmakers to improve production efficiency and vehicle quality.

## Lion Nathan posts 42% increase

By Terry Hall in Wellington

Lion Nathan, the New Zealand brewing group, yesterday reported a 42.2 per cent rise in tax-paid profits to NZ\$113m (US\$66m) for the six months to February 28, helped by an improving contribution from its Australian interests.

Mr Douglas Myers, chief executive officer, said profits from the Australian subsid-

aries received a setback during September and October, during industrial trouble that cut production. He said market share had recovered in the last quarter, although continued problems were being encountered by the fall in the overall Australian beer market.

In New Zealand the company had increased its market share of the beer market to 58.3 per cent, against the Singapore Breweries-Heineken joint ven-

ture which recently gained control of DB Group, Lion Nathan's leading competitor.

Mr Myers said the company was confident profits would exceed NZ\$200m in the full year before any abnormal items.

The interim dividend from retained earnings is being lifted by 1 cent to 7.5 cents a share.

Earnings per share were 20.6 cents, against 17.3 cents.




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 <p><b>BRÄUHAUS</b> Fruit Juice Acquisition of 100% of Valis Kft. Hungary</p>	 <p><b>VESELI</b> Footwear Sale to Jona s.r.o. Czech Republic</p>	 <p><b>SCM</b> Sale to Heideberger Zement AG and Schwenk Zement KG Hungary</p>
 <p><b>SAB</b> The South African Breweries, Ltd. Acquisition of a majority stake in Köbányai Brewery Hungary</p>	 <p><b>WIENERBERGER</b> Construction Materials Acquisition of a strategic stake in Jihočeská Cihelny a.s. Czech Republic</p>	 <p><b>SWACK+UNION</b> Beverage Initial Public Offering to domestic and international investors Hungary</p>
 <p><b>SIEMENS</b> Through its subsidiary OEKW Acquisition of a majority stake in The Hungarian Cable Works Hungary</p>	 <p><b>NOVOKER</b> Tiles Sale of a majority stake to Cevap Slovaksia s.r.o. Slovakia</p>	 <p><b>Ferembal</b> Packaging Acquisition of a majority stake in Obelax a.s. Czech Republic</p>
 <p><b>AMYLUM</b> Acquisition of a majority stake in Maize Products Razgrad Bulgaria</p>	 <p><b>OLMEX</b> Sale of 70% to Unilever N.V. Poland</p>	 <p><b>AMF</b> AUSTRIA MILCH Acquisition of 100% of Millex a.s. Slovakia</p>

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**ARTAL GROUP S.A.**  
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The Annual General Meeting of Shareholders of ARTAL GROUP S.A., will be held at the head office of Banque de Luxembourg S.A., 14, Boulevard Royal, on Tuesday May 17th 1994 at 15.00 p.m.

In order to discuss the following matters:

**AGENDA**

1. Report of the Board of Directors for the period ended December 31st 1993.
2. Report of the Independent Auditor for the period ended December 31st 1993.
3. Approval of the Annual Accounts as at December 31st 1993.
4. Allocation of Results as at December 31st 1993.
5. Discharge to the directors and to the statutory auditors.
6. Elections.
7. Miscellaneous.

Holders of bearer share certificates have to deposit their shares no later than May 13th 1994 at Banque de Luxembourg S.A. or at any other recognized bank.

The Board of Directors

---

**LONDON STOCK EXCHANGE DEALINGS**

THE INFORMATION shown on this page, which appears every Sunday, is supplied to the Financial Times by the London Stock Exchange.

Stocks shown are selected by the Stock Exchange from among those companies and securities whose names do not appear in our daily London Share Service.

The Saturday selection changes frequently, according to the volume of trading in individual stocks registered by the Stock Exchange during the week ending on each Thursday. That if no trading takes place in a stock, it will not be included in the following.

(Selling) Dealings page.

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## INTERNATIONAL CAPITAL MARKETS

## Bundesbank repo rate cut prompts European rally

By Sara Webb in London and Frank McGurty in New York

European government bond markets rallied yesterday, helped by the Bundesbank's decision to lower its repo rate by a further 11 basis points to 5.47 per cent.

## GOVERNMENT BONDS

But market participants said they did not expect to see the German central bank follow up its repo move with further cuts in the key discount and Lombard interest rates.

The Bundesbank accepted bids amounting to DM55.1bn in its latest round of 12-day securities repurchase agreements at rates of 5.47 per cent and

above, down from last week's rate of 5.58 per cent.

The bond market remained firm on the news, and the Liffe bund futures contract, which opened at 94.86, traded from a low of 94.52 to a late afternoon high of 95.12.

"The bond markets see that (11 basis point repo cut) as reasonably generous," said Mr Adrian James, bond analyst at NatWest Capital Markets.

Mr Reimund Jochimsen, Bundesbank council member, was quoted as saying that the German central bank did not have to worry about any special inflationary factors at present. However, he added that the trend in M3 money supply growth made it difficult to make decisions on interest rates.

German M3 grew at an annual

rate of 15.3 per cent in March from 17.5 per cent in February, way above the Bundesbank's target growth range of 4 to 6 per cent.

French government bond prices followed the German bund market, as the rate cut raised hopes that the Bank of France may lower its intervention rate today.

UK gilts slipped back in the wake of the Bank of England's auction yesterday, reflecting disappointment at the cover ratio, but the market later recovered to close little changed on the day.

The Bank of England sold £2bn of the 6 per cent stock due 1999 at an average price of 98.23, corresponding to a yield of 7.46 per cent.

The lowest accepted bid was

93.21 (yielding 7.47 per cent) and the highest bid was 93.26 (yielding 7.44 per cent). The cover ratio, which is the ratio of total bids to the amount of stock actually sold, was 1.7 times, which dealers said was below expectations.

The gilt market fell back immediately after the auction results were announced, and the auction stock traded down to about 93.12 in the afternoon before recovering.

The Liffe gilt futures contract opened at 107.07 and fell to a low of 106.12, but then climbed back to settle at 106.37, almost unchanged on the previous day's close.

In the US, trading in Treasury bonds was suspended as the country observed a day of mourning in honour of former

president Richard Nixon, who died at the weekend.

The more positive tone established over the past week is likely to be tested this morning when the commerce department is scheduled to release its preliminary estimate of first-quarter GDP.

Forecasts centred on a growth rate of 3.4 per cent in real terms, although several economists were expecting the figure of less than 3 per cent. Many of them had shaved a half percentage point from their earlier forecasts a fortnight ago, when the government revealed a big decline in exports.

Mr Jack McIntyre, an analyst at Technical Data in Boston, said that if GDP comes in below 3 per cent, bond prices are likely to jump and the yield

on the benchmark 30-year Treasury could test the 7.00 per cent mark. At Tuesday's close, the long bond was yielding 7.10 per cent.

Japanese government bonds ended close to the highs of the day, buoyed by the strength of the currency and the release of weaker-than-expected economic data.

Dealers said the market tone remained firm, with the Japanese currency trading at around ¥108 to the dollar, and the release of retail sales figures - which were down 3 per cent year-on-year - showed that consumer demand remained poor. The June futures contract opened at 111.94 and reached a high of 112.44, ending Tokyo trading at 112.44.

## EC may widen derivatives rules

By Tracy Corrigan

The European Commission may modify its solvency ratio directive so that it will cover a broader range of derivative instruments.

Mr Paolo Ciampi, head of banking and financial institutions at the Commission, said the changes "will increase the charges to banks for so-called off-balance sheet risk".

Currently, foreign exchange and interest rate derivatives are covered under the solvency ratio directive. In the future, equity, metal and other commodity derivatives may also be covered. In addition, the two levels of capital required for derivatives maturing in less than one year are likely to be expanded to three categories: less than one year, one to five years, and more than five years.

In addition, the scope for netting - which allows banks to offset exposure to the same counterparty - will be expanded.

The EC solvency ratio directive was issued in July 1988, in conjunction with the Basle Committee's rulings on solvency ratios.

The Basle Committee is currently working on new rules for market risk, but this work is likely to take considerably longer to complete. These rules force banks to set aside capital to cover various types of risk.

Mr Ciampi also said that he would head a working group on derivatives to be set up by the Commission in June. The group, which will include bankers from various member states, will look into the risks to the financial markets posed by derivatives.

## S Korean convertible sector soars

South Korean companies issued Won491bn in convertible bonds in the first quarter of this year, against Won382bn for all of 1993, the Securities Supervisory Board said, Reuters reports from Seoul. In 1992, they issued Won146bn in convertible bonds.

In April, South Korean companies planned to issue convertible bonds totalling Won288bn, which will bring the four-month aggregate to Won789bn, an official said. Analysts expect such issues to total between Won2,000bn and Won 3,000bn for all of 1994.

The bonds are favoured by domestic companies keen to cut costs, as they normally carry lower interest rates than corporate bonds.

Foreigners will be allowed to buy some convertible bonds from around June.

## Good demand for Elf Aquitaine's FF1.5bn issue

By Corinne Middelmann

With the US Treasuries market closed for a national day of mourning for former US President Richard Nixon, activity was thin and only a handful of issuers braved the sluggish market.

## INTERNATIONAL BONDS

The day's largest deal was a FF1.5bn issue of 10-year 7 per cent bonds for Société Nationale Elf Aquitaine. According to a syndicate official at lead manager Société Générale, the paper met good demand from domestic investors.

Crédit Local de France increased its outstanding issue of 5 per cent bonds due December 1999 by another Ecu100m to total Ecu400m. The deal got a muted response, with some dealers arguing that the coupon compared unfavourably with recent Ecu

paper, such as the European Bank for Reconstruction and Development's 6 per cent five-year bonds.

Noodle giant PT Indofood Sukes Makmur, a member of the country's largest conglomerate, the Salim group, plans to go public on July 7 by floating 21m shares or 2.75 per cent of its enlarged share capital, Reuters reports.

Indofood issued \$500m of exchangeable bonds due 1997 in late March via UBS which pay a step-up coupon of 3.5 per cent in the first year, 5 per cent in the second year and 6 per cent in the third year. The bonds are convertible to Indofood shares eight months after approval by the capital market supervisory agency (Bapepam). A full conversion would represent about 18 per cent of the company's paid-up capital.

Standard & Poor's has placed the A-1 and A-1 ratings of BAT Capital Corporation, A-1 rating on BAT International Finance and AA-

NEW INTERNATIONAL BOND ISSUES									
Borrower	Yield	Coupon	Price	Maturity	Face	Spread	Book	Notes	
INTERNATIONAL FINANCE CORP (A)	10bn	4.75	102.85	Jun 1996	undfcd	-	Salomon		
MASTELCO CORP (France)	10bn	2.70	100.07	Aug 1996	0.25	-	Salomon		
FRANCE	1.5bn	7.00	98.305R	May 2004	0.27R	+0.4	(SWR-04) Société Générale		
SCS	100	5.25	95.185R	Dec 1999	0.25R	+1.0	(SWR-04) Société Générale		
AUSTRALIAN DOLLAR	75	6.00	101.275	Jun 1999	2.00	-	Hambros		

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. R: fixed re-offer price; fees are shown at the re-offer level. a) Fungible with Y400m. Plus 2 days accrued. b) Short-run coupon. c) Fungible with Ecu100m. Plus 55 days accrued.

rating on British-American Tobacco Investments - all guaranteed by BAT Industries - on credit-worth with negative implications. About \$2.5m of long-term debt is affected.

The move follows the announcement that BAT Industries plans to acquire American Tobacco for \$1bn in cash and stock. "The proposed acquisition would increase BAT's exposure to the extremely competitive

US tobacco market which is currently facing a number of challenging issues," the agency stated.

In a related move, S&P placed its AA-claims-paying ability rating of Eagle Star Insurance Company and its AA-financial strength rating of Eagle Star Life Assurance Company to continue to provide similar levels of support to the insurance group going forward," it said.

ings has been the firmly-stated commitment of BAT, its ultimate parent, to financial services, and its provision of tangible support and maintenance of strong capital at the Eagle Star group, S&P noted. "Any material diminution of BAT's financial flexibility may affect the ability or willingness to continue to provide similar levels of support to the insurance group going forward," it said.

## WORLD BOND PRICES

## BENCHMARK GOVERNMENT BONDS

	Coupon	Red	Price	Days	Yield	Week	Month
		date		to yield	ago		
Australia	9.500	09/03	102.8500	-2.280	6.15	8.50	7.17
Belgium	7.250	04/04	98.1000	-0.420	7.47	7.51	7.39
Canada	9.000	09/04	90.0500	-0.250	7.85	8.34	7.84
Denmark	7.000	12/04	96.2500	-0.590	7.22	7.32	7.08
France	6.000	09/03	105.0000	-0.280	6.25	6.84	6.78
Germany	5.500	04/04	91.1000	-0.740	6.74	6.96	6.91
Italy	6.000	09/03	94.8000	-0.500	6.51	6.55	6.38
Japan	5.500	01/04	97.3000	-0.800	5.82	5.98	5.85
Netherlands	6.500	09/03	105.0000	-0.420	6.45	6.45	6.45
Spain	6.750	01/04	96.3000	-0.720	6.81	6.79	6.54
UK Gilt	10.500	09/03	107.5000	-0.280	9.25	9.24	9.04
US Treasury	8.000	09/09	92-19	-0.920	7.49	7.50	7.20
ECU	6.750	11/04	92-27	-	7.76	7.88	7.91
US Treasury	6.000	10/09	108-13	-0.920	7.90	8.00	7.98
ECU	5.500	02/04	92-27	-	7.76	7.88	7.91
US Treasury	6.000	10/09	108-13	-0.920	7.90	8.00	7.98
ECU	5.500	02/04	92-27	-	7.76	7.88	7.91

London clearing, New York mid-day. \*Cover (including rollovers) at 12.5 per cent payable by overnight. Source: M&I International

## US INTEREST RATES

	Rate	One month	Three month	Six month	One year	Two year	Three year	Five year	Seven year	Ten year	30 year
Prime rate	5.50										
Bank rate	5.50										
Federal funds	5.50										
Federal reserve	5.50										

## BOND FUTURES AND OPTIONS

## FRANCE

## NATIONAL FRENCH BOND FUTURES (MATF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	121.22	121.22	-0.05	121.22	121.22	285,693	126,446
Sep	120.34	120.34	-0.08	120.34	120.34	78,771	17,711
Dec	119.02	119.02	-0.08	119.02	119.02	1,593	529

## LONG TERM FRENCH BOND OPTIONS (MATF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	121.22	121.22	-0.05	121.22	121.22	285,693	126,446
Sep	120.34	120.34	-0.08	120.34	120.34	78,771	17,711
Dec	119.02	119.02	-0.08	119.02	119.02	1,593	529

## GERMANY

## NATIONAL GERMAN BOND FUTURES (LIEFF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	94.86	94.86	+0.05	94.86	94.86	127,292	17,713
Sep	94.10	94.10	+0.05	94.10	94.10	5,553	1,007

## BUND FUTURES OPTIONS (LIEFF)

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	94.86	94.86	+0.05	94.86	94.86	127,292	17,713
Sep	94.10	94.10	+0.05	94.10	94.10	5,553	1,007

## NATIONAL MEDIUM TERM GERMAN GOVT. BOND

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Jun	94.86	94.86	+0.05	94.86	94.86	127,292	17,713
Sep	94.10	94.10	+0.05	94.10	94.10	5,553	1,007

## UK GILTS PRICES

## Notes

## 10 year

## 15 year

## 20 year

## 25 year

## 30 year

## 35 year

## 40 year

## 45 year

## 50 year

## 55 year

## 60 year

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## Rights issue launched towards \$450m Canteen Corporation acquisition

# Compass seeks funds for US purchase

By David Blackwell

Compass Group, the catering and healthcare concern, yesterday launched a rights issue to raise almost £146m towards the cost of buying the third biggest caterer in the US for \$450m (\$308m).

The purchase is Canteen Corporation, based in South Carolina, which for 1993 produced an operating income of \$38m on turnover of \$1.1bn.

The balance of the payment will come from new bank facilities of \$175m from NationsBank of North Carolina, and \$47.5m from National Westminster Bank.

The acquisition will leave the group with a pro forma negative net assets of £92.3m.

Mr Francis Mackay, chief executive, said yesterday that the acquisition was "a one-off opportunity to buy into the world's biggest food market at a price that is sensible".

Compass also announced a 28 per cent rise in pre-tax profits for the six months from £18.2m to £23.3m on turnover ahead 65 per cent at £345.2m (£208.4m).

Mr Mackay said that all the group's acquisitions had performed "extremely well and we haven't lost a single contract".

Earnings per share rose from 8.6p to 8.9p.

The interim dividend is increased from 2.15p to 2.31p, and the group is forecasting a final of 4.5p on the enlarged

capital following the rights issue.

The shares yesterday fell a further 6p to 310p following a fall of 15p on Tuesday when news of the impending US deal emerged.

Last July Compass, which has grown from a £167m management buy-out from Grand Metropolitan in 1987 to a market capitalisation of £570m, bought the airport restaurant and contract catering business of SAS Service Partner, a subsidiary of the Scandinavian airline.

The £71.9m acquisition was financed through a 6-for-19 rights issue at 420p.

The latest cash call, also on a 6-for-19 basis, is priced at 270p and is underwritten by Morgan Grenfell. The issue of 57.4m new ordinary shares will raise £145.9m net of expenses. The directors will be taking up their rights, amounting to 1.51m shares.

Canteen is being sold by Flagstar, owner of several restaurant chains, including the Danny's breakfast bars. Flagstar, listed on Nasdaq, incurred losses in 1993 of \$1.68m after a \$1.4bn goodwill write-off, on turnover of \$4bn.

The group, which has \$2.4bn of debt, is 87 per cent owned by Kohlberg Kravis Roberts, the Wall Street buy-out specialist.

Mr Mackay said that the disposal of Canteen, which has more than 12,000 accounts and net assets of \$33.5m, was essentially a forced sale. Its



Francis Mackay (left) and Mike Bailey: one-off opportunity to buy into world's biggest food market at a sensible price

acquisition would immediately enhance earnings per share. He was confident that Compass would be able to lift margins from last year's 3.3 per cent to above 5 per cent, the level achieved in 1990 and 1991.

Canteen had suffered from

lack of management, including one contract that had notched up a loss of \$500,000. It had also suffered from over-dependency on business and industry accounts, and needed to be directed more towards the growing, college, hospital and prison market.

Following the acquisition Compass will have more than 50,000 employees, double the current number.

It will retain the relatively new US management of Canteen, under the supervision of Mr Mike Bailey, who joined Compass 12 months ago as managing director of the brand management arm.

Compass and Flagstar have made a US tax election under which both parties have agreed to capitalise goodwill over 15 years. This was worth \$150m to Compass, or \$10m a year, and would leave it with an effective US tax charge of 12 per cent.

Mr Mackay said the high leverage incurred under the deal was appropriate as Canteen was cash generative. Interest cover, 12 times at the end of the half-year, would fall to 5.8 times but would start to recover quickly.

The City, which had thought Compass would concentrate on expansion in Europe, was surprised at the sudden switch of the group's sights to the US.

Mr Mackay said the group would continue to expand in Europe organically. "We are determined to grow a sizeable business in Europe in the next three or four years", he said, adding that the US deal was a one-off opportunity to enter "a great market place without paying a premium".

The EGM to approve the rights issue will be on May 13. Compass expects to complete the acquisition on June 17. See Lex

## GRT valued at £57m via 160p placing price

By Paul Taylor

Shares in GRT, the bus and coach operator which is coming to market through a placing with institutional investors, were priced yesterday at 160p, valuing the Aberdeen-based group at £57.2m.

A total of 13.7m shares, representing just over 38 per cent of the expanded capital, are being placed by James Capel, of which 11.25m will be placed on behalf of the company.

The management and employees are expected to retain about 56.3 per

cent of the enlarged equity.

The placing will raise £17m net of expenses for the company. Of this £10.8m will be used to repay bank borrowings, and the balance will help finance future investments and acquisitions.

GRT, which runs local bus and coach services mainly in the north-east and central belt of Scotland, as well as Leicestershire and Northampton, is one of the fastest growing operators in the industry.

In the five years since its formation through a management buy-out of Grampian Regional

Council's bus and coach undertakings, the business has

grown from 243 buses in Aberdeen to 723 buses operating in four main areas in the UK.

The prospectus, which was issued yesterday, also includes an estimate that operating profits in the 52 weeks to March 26 increased from £3.5m to £5m, on turnover of £38.7m (£32m).

The latest figures include initial contributions from Northampton Transport, which was acquired in October and Leicester Citybus, acquired in November.

## Data and Research Services coming to market at £39m

By Alan Cane

Data and Research Services is coming to the market by way of a placing which values the automated data capture specialist at £39.2m.

Some 13.64m ordinary shares are being placed at 110p each, representing 38 per cent of the enlarged share capital.

Some £15m is being raised before expenses. About 50 per cent of the proceeds are expected to be available to exploit possible acquisitions in the data capture industry. They will also be used to fund market research and technology development necessary for DRS to explore new areas for

automated data capture.

The placing is sponsored by MacArthur, the company's financial adviser, and underwritten by Beeson Gregory, its brokers.

DRS has been involved in data capture - ways of getting information into a computer system without the use of keyboards - since 1989.

The company started as a data capture bureau, but its turnover and profitability grew rapidly after 1990 when it began to make and distribute its own design of optical mark readers and data loggers.

In 1993, it turned over £11.6m and made pre-tax profits of

£3m. In the past three years, profits before tax and non-recurring operating expenses have amounted to 22, 22 and 26 per cent of turnover respectively. At the placing price, earnings per share in 1993 of 6.76p give a multiple of 16.3.

The company's chief market is education, where it sells equipment to capture and analyse handwritten "ticks" on multiple choice examination forms. It has developed a sensitive reading head able to differentiate between faint marks and those that have been partially erased. It also sells data logging equipment to utilities.

Dealings in the shares are expected to begin on May 5.

## Interconnect purchase boosts Securicor communications side

By Paul Taylor

Securicor, the security, parcels and communications group, has further strengthened its communications division through the acquisition of Interconnect, a small supplier of advanced telecommunications equipment.

Securicor declined to reveal the purchase price. But Mr Ed Hough, Securicor Communications' chief executive, said the acquisition was "a key move in

our strategic plan to become a leading supplier in the international business communications sector".

Interconnect, which is being merged with the Securicor Telecom subsidiary, is a recognised leader in the field of open telephone systems which allow the easier integration of personal computer Local Area Networks and telephone systems.

Unlike proprietary systems, open systems equipment is

designed to international standards.

Open systems telephony is expected to be one of the fastest growing telecommunications equipment markets in the 1990s.

Interconnect's 3000 Digital Hybrid switch is Europe's first open system Private Automatic Branch Exchange and the acquisition will significantly strengthen Securicor Telecom's position in the emerging market.

## Fleming Indian raises £59m in placing stage

By Bethan Hutton

The Fleming Indian Investment Trust, the first UK-listed investment trust to specialise in India, has raised about £59m in the placing stage of its launch.

A further 90.8m shares at 100p each - with warrants attached on a 1-for-5 basis - are available through a public offer, closing on May 18.

The trust's target is to raise about £100m. However, recent investment trust launches

have tended to receive a fairly small proportion of their total from private investors.

The fund will be managed from Hong Kong by the team already responsible for the IF India unit trust, a Hong Kong-based fund run by Jardine Fleming, the sister company of Fleming Investment Management.

Jardine Fleming also has 13 analysts in Bombay. The UK fund will be invested via Mauritius, to take advantage of the tax treaty between Mauritius and India.

## CFS meets forecast

Computerised Financial Solutions, the computer services company, reported pre-tax profits of £330,233 for 1993, against £371,109. The result was in line with the forecast made when it joined the UK in February.

Turnover improved from £3.32m to £3.43m.

Mr Alfred Stein, chairman, said that results for the first half of the present year would be restrained by development costs.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
Abstract New Theatre	1.25	June 13	0.5	1	1
Belt Bros	1.25	June 13	0.5	1	1
Brixton Estate	5.175	July 26	5.35	8	8.35
Compass	2.31	July 27	2.115	4	6.995
DPS Furniture	2.3	June 20	2.3	24	24
El Oro Mining	20	Oct 31	12	10	12
Exploration Co	10	Oct 31	24	20	24
Gowett Strategic	2.55	June 23	2.55	6	6.75
Jerome (S)	0.3	June 10	0.5	0.5	0.5
Marney Spill Cop	2.65	July 1	2.65	10	10.8
Powertech	0.2	June 16	2.32	-	-
Sage	3.55	June 24	3.55	9.92	9.92
Scottish Net	1.55	July 7	1.55	7.75	7.75
S&W	8.8	July 1	7.8	11.5	10
Shah	2.5	June 16	2.5	2.9	2.9
Trinity Hedge	4.2	July 29	1.5	6.2	1.5

Dividends shown pence per share net except where otherwise stated. \*On increased capital. \*\*Equivalent after allowing for scrip issues. \*\*Second interim makes 5.5p to date. \*\*Second interim makes 3.1p to date.

**BANCA DI ROMA**  
EUROPEAN BANK OF ITALY  
In accordance with the terms and conditions of the Receipts, the interest rate for the period 28th April, 1994 to 31st October, 1994 has been fixed at 6.875% per annum.

**THE ROYAL BANK OF CANADA**  
U.S. \$360,000,000 Floating Rate Debentures due 2005  
In accordance with the terms and conditions of the Debentures, the interest rate for the period 28th April, 1994 to 31st May, 1994 has been fixed at 4% per annum.

**WARDLEY GLOBAL SELECTION**  
Registered office: 7, rue du Marché-saint-Herbert, L-1728 Luxembourg.  
CONVENING NOTICE  
The shareholders of WARDLEY GLOBAL SELECTION are hereby convened to attend an extraordinary general meeting of shareholders to be held on 9th May 1994 at 4.30 p.m. at 7 rue du Marché-saint-Herbert, L-1728 Luxembourg with the following agenda:

1. To decide to change the name of the Company from WARDLEY GLOBAL SELECTION to RSCB GLOBAL INVESTMENT FUNDS and to decide to amend Article 1 of the Articles accordingly.
2. To amend the Articles of Incorporation to restate these. Such changes will affect Articles 1, 5, 6, 10, 11, 15, 20, 21, 22, 23, 24, 25, 27, 28, 29 and 30 of the Articles, in particular:

**AKZO NOBEL**  
The Board of Management of Akzo Nobel N.V. - formerly Akzo N.V. - announces that on April 26, 1994, the results for the first quarter 1994 were published. Copies of this report may be obtained from the London Paying Agents:

Barclays Bank PLC  
6000 Depository Services  
168 Fleet Street  
London EC3P 3HP  
and  
Midland Securities Service  
Paying Agency Section  
5th Floor  
Mariner House  
Peeps Street  
London EC3N 4DA

**The COOPERATIVE BANK**  
£75,000,000  
Subordinated Floating Rate Notes 2000  
Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 26th April, 1994 to 26th July, 1994 the following information will apply:

1. Rate of Interest: 5 1/4% per annum
2. Interest Amount payable on Interest Payment Date: £68.66 Per £5,000 nominal or £685.62 Per £50,000 nominal
3. Interest Payment Date: 26th July, 1994

**LEGAL NOTICES**  
**FALMOUTH DEVELOPMENTS LIMITED**  
Incorporated in England and Wales  
Notice is hereby given that the following is a list of the names of the persons who are entitled to attend and vote at the annual general meeting of the company to be held on 22nd April 1994 at 10.00 a.m. at the registered office of the company, 22nd April 1994.

**Brixton Estate**  
ANNUAL RESULTS 1993  
1993 1992  
£000's £000's  
Net Rental Income 60,200 55,229  
Profit before Taxation 30,481 28,538  
Earnings per share 11.66p 12.73p  
Net Asset Value per share 192p 168p  
Value of investment properties £806m £679m

**GOLDSTAR CO., LTD.**  
U.S. \$30,000,000  
Floating Rate Notes Due 2000  
Unconditionally and irrevocably guaranteed by LUCKY, LTD.  
Interest Rate: 5 1/4% p.a. (Min. Rate)  
Interest Period: 29th April, 1994 to 31st October, 1994  
Interest Amount per U.S. \$10,000 Note due 31st October, 1994 U.S. \$269.79  
Interest Amount per U.S. \$100,000 Note due 31st October, 1994 U.S. \$2,697.92  
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## COMPANY NEWS: UK

# Leeds Permanent up 37% as bad debts fall

By Alison Smith

Leeds Permanent Building Society yesterday reported pre-tax profits of £123.7m for the six months to March 31, up 37 per cent from the comparable £90.2m.

Provisions for bad and doubtful debts at Leeds, the UK's fifth largest society, dropped from £84.1m to £51.5m.

Adding further, separate, charges for irrecoverable interest on mortgage accounts in arrears and repossession, the total charge for loss provisions came to £62.4m (£101.7m).

The September year-end at

Leeds is different from almost all other building societies.

This means that its full-year results, announced in November, did not reflect the fall in provisions which have already helped its competitors to report sharply increased profits for 1993.

Leeds' full-year results for 1993-94 included a 22 per cent rise in pre-tax profits to £186.2m, but provisions rose from £105.2m to £131.1m.

Yesterday's announcement included increased net interest receivable of £231.3m (£225.3m). In the last full-year interest received rose from £342.1m to £428m.

Administrative expenses in the first half rose to £108.8m (£103.5m), much of the rise being attributable to investment in the life company which is due to become operational in the summer.

The society, whose merger talks with National & Provincial fell through last autumn, is still looking for a chief executive.

Mr Roger Boyes, finance director, said that in terms of the day-to-day management of the society the lack of a chief executive was a "non-issue", but he admitted that the absence of one for a long time was not a healthy position.

# City sets sights on a less exciting future

Andrew Baxter examines the three-year plan which will give Babcock a new look

Nick Salmon had a special reason to feel relieved last week when Babcock International announced a three-year plan which will give a new look to the engineering contracting and materials handling group.

Mr Salmon, Babcock's managing director, had spent the last few days before Thursday's announcement on a punishing schedule of 37 meetings with institutions. Enthusiastic though he is for the plan, he was clearly looking forward to running through the presentation for the last time.

Winning the City's approval is crucial, however, for a plan which hinges on a larger than expected £78.6m rights issue, and a restructuring of the company's energy division that - along with the division's losses - will produce an estimated group pre-tax loss of £41.2m in the year ended March 31.

Mr Salmon and Mr John Parker, chief executive, joined Babcock on October 4 and have been preparing the new strategy since then. They knew the City was looking for a sign that the financial shocks and management upheaval of the past year would not be repeated.

Also, they knew that the City believed Babcock did not have enough capital to cope with the risks involved in sizeable contracts such as its £400m-plus fine gas desulphurisation contract at National Power's Drax power station in North Yorkshire.

Analysts worried that, in an era where "performance

bonds" on substantial contracts are the norm and advanced payments are not, Babcock was too exposed to risk.

A sizeable rights issue seemed inevitable once the new team was fully installed, but it is now clear that Mr Parker and Mr Salmon shared the City's worries. Not only are

after the rights issue does give Babcock sufficient capital to go forward with its new strategy.

Mr Parker and Mr Salmon have clearly left no stone unturned in the past six months. "It's been pretty hectic, that's for sure, for us and for the divisions," says Mr Parker.

With the help of the L&K

## Winning the City's approval is crucial for a plan which hinges on a larger than expected £78.6m rights issue and a restructuring of the energy division

they moving Babcock away from the kind of large contracts which could individually break the company, but they are also providing a platform for growth in the businesses that hitherto have been overshadowed by Drax and other mishaps.

The vision of a less exciting future for Babcock, building bulk handling installations, hydrochloric acid plants and sticking to medium-sized power plant contracts up to about £150m - unless it is sharing the risk with others - seems to be what the City is looking for.

"They have made it quite clear they will not be bidding for £450m contracts at la Drax," says Mr Jonathan Getz of Robert Fleming Securities. On top of that, he says, pro forma shareholders' funds of £125m

Partnership, management consultants, the five divisions were benchmarked against competitors and market prospects studied. Divisional management has been strengthened, and all contracts and claims risks that might undermine the recovery of future profits have been assessed.

"We've said to managers, 'Don't surprise us,' says Mr Parker. "If there is a problem, get it out in the open."

Now, with the problem-stricken energy division to be restructured and overall risks reduced, the question is how much money Babcock can make from its new strategy.

The remaining four divisions are profitable and cash generative, and Mr Erik Porter, finance director, points out

that materials handling, process, facilities management and Africa have consistently produced a "hard core" of £20m-£30m a year in pre-tax profits. But growth prospects in these divisions look to be more solid than spectacular.

According to the estimated results for fiscal 1994 the biggest profit contribution - up from £6.5m to £10.6m - came from the facilities management division, which is based around the Rosyth Royal Dockyard in Scotland.

Babcock Thorn's contract for the management of the dockyard expires in April 1996 at the latest, and Babcock is talking to Thorn EMI about acquiring its 35 per cent stake in the joint company to maximise its options in pursuing the privatisation of Rosyth.

Babcock says the division is well placed for either a contract extension or a purchase of the yard. But given the uncertainty over how the Royal Dockyards will be privatised, the group is probably wisely putting most emphasis on developing its materials handling and process divisions.

Profits in materials handling fell to £7.4m (£12.1m) in fiscal 1994, due to reorganisation costs and lower than expected orders in the first half.

But worldwide reorganisation, along with recent acquisitions, has transformed 16 national product-based companies into 10 broadly-based regional companies and orders have picked up strongly, reaching a record £153m for the year.

Babcock wants to expand the division significantly, both organically and through complementary acquisitions, to complete the transition to a multinational supplier of material handling systems for cement, energy, steel, pulp and paper and marine terminal markets.

In the process division, a leading supplier of process plant to the oil, gas and petrochemical industries, profits jumped from £2.8m to £4.4m last year, and the year-end order books jumped from £75m to more than £120m.

Babcock now wants to build on the success achieved by the 1992 acquisition of King Wilkinsons through developing its strong relationships with customers in the Middle East and Asia, continuing to develop new product areas such as pharmaceuticals and fine chemicals, and making modest acquisitions or joint ventures to expand the technology base.

Mr Getz believes that, if Babcock can fulfil the potential of its three-year plan, turnover in fiscal 1997 could reach £800m, compared with £450m for fiscal 1993. Pre-tax profits could be "something north of £45m" by fiscal 1997, he says.

That compares with profits of £21.3m in fiscal 1993, which included a £13m provision for reorganisation. But, he says, there must be no more "funnies" - provisions and other financial shocks. "We just want turnover and profits before tax - let's keep it simple."

# Sainsbury converts three stores to test format for town centres

By Neil Buckley

J Sainsbury, the UK's largest grocery retailer, is launching a new town-centre format called Sainsbury's Central, designed to provide for the convenience and "top-up" shopping market.

The move follows the success of the Metro format launched by Tesco, Sainsbury's biggest rival, now trading in five locations.

Sainsbury is converting three existing town-centre stores in Chelmsford, Exeter and Epsom to the new format, and if these are successful will start converting others. The company said it would decide later this year whether to build new outlets in the format. "Although firmly retaining Sainsbury's tradition of quality, convenience and value for money, the new-style shop will

provide a service more geared to the needs of town-centre shoppers," the company said.

The stores would serve three needs:

- "Pop-in" shopping, for items such as newspapers, confectionery and snacks.
- "Top-up" shopping, for customers making last-minute or forgotten purchases.
- Main shopping trips.

The shops will be refitted, and the product range slimmed down and tailored to meet these needs, as well as to make space for new delicatessen, fresh hot foods and meat counters.

The refitted Chelmsford store, which, at just over 12,000 sq ft, is about half the size of an out-of-town superstore - will reopen on June 14. Exeter will follow in mid-July and Epsom in early August.

Conversion time to the new format will be about four weeks, but Sainsbury refused to reveal the expected cost.

Since the early 1980s Sainsbury, like Tesco, has been closing smaller town-centre stores and opening new out-of-town superstores. But it said yesterday more than 100 of its 340 stores were still small high-street outlets.

The big grocery retailers have been forced to rethink their expansion programmes by increasing market saturation, tougher planning restrictions on out-of-town stores, and competition from discount stores.

Tesco opened its first Metro in London's Covent Garden last year, and followed it with stores in Hammersmith, Oxford Street, Bristol and Liverpool.

# Sage up 32p to 600p after US improvement

By Alan Cane

Shares in Sage Group yesterday gained 32p to close at 600p after the Newcastle-based accounting software company reported interim figures indicating that problems at two US subsidiaries had been overcome.

The shares are now within 3 per cent of their peak of 619p a year ago; they have been recovering from a sharp fall in July which followed a profits warning relating to the US companies.

Profits before tax in the half year to March 31 rose 28 per cent to £5.8m (£5.38m), on turnover ahead 21 per cent to £25.4m (£21m).

Sage supplies packaged accounting software, chiefly aimed at small and medium-sized companies, and sold through a network of resellers.

Mr David Goldman, chairman, said that software sales in the UK, which advanced 26 per cent, had been helped by a new emphasis on making it attractive for resellers to add value to the company's products.

This had been helped by the close relationship with Micro-

soft, the world's largest software supplier.

All subsidiaries were now trading profitably. DacEasy, the principal US offshoot, made an operating profit of £1.3m on sales of £6.9m, an improvement of 32 per cent, in a highly competitive environment.

TeleMagic, formerly Remote Control International, turned a first half loss last year of £370,000 into a £47,000 profit on sales of £1.6m.

The latest acquisitions, Ciel in France and Dataform in the UK, continued to make satisfactory profits.

Sage has launched a low cost accounting system for the domestic market and intends to launch products in all its business areas which exploit the success of Windows, Microsoft's market-leading operating system.

The company has net cash of £9m, up from £4.2m at September 30. Mr Goldman said expansion would continue to be sought through acquisition.

The interim dividend goes up to 3.55p (3.32p), payable from earnings per share of 22.25p (17.65p).

# Brixton Estate net asset value rise below estimates

By Simon Davies

Brixton Estate yesterday announced a 7 per cent increase in pre-tax profits from £28.5m to £30.5m.

The UK's seventh largest property company also revealed that it has invested the entire £100m proceeds of its May rights issue in UK properties, and is planning to invest a further £50m to £60m in the current year.

Net asset value per share rose 14 per cent to 192p (168p), which was below analysts' expectations, and the shares fell 9p to 24p.

The value of Brixton's portfolio, excluding last year's acquisitions, increased by only 6.5 per cent (7.4 per cent, excluding the impact of currency). This reflected the weak performance of the 17 per cent of its portfolio outside the UK.

Mr Terence Nagle, managing director, said demand for space in the UK had increased over the past few months. Brixton achieved new lettings and relettings of 800,000 sq ft last year, leaving a vacancy rate of 7.4 per cent.

Net rental income rose 9 per cent to £60.2m, while interest on developed properties increased 3 per cent to £27.2m. There was a further £7.4m of interest charged to the cost of ongoing property development, equal to the rental value of its unit property.

The effect of recovering property values together with the cash from the rights issue, helped reduce gearing from 114 per cent to 72 per cent.

Last year, the company invested £75m of the rights issue proceeds in new properties, and it has invested a further £25m since the year end. These properties are yielding 11 per cent, significantly above the cost of long-term money.

A proposed final dividend of 5.175p makes a total of 8p for the year. Earnings per share, adjusted for the rights, fell 6 per cent to 11.66p.

COMMENT Brixton achieved consistent profits growth through the downturn in the property market, but is looking unexciting in the upswing. For a company with few development projects,

£7.4m capitalised interest is high, and its further reduction will hurt future earnings. Analysts expect net asset value per share to rise to 225p at the end of 1994, and the company is likely to achieve pre-tax profits of £34m, given few rental reversions this year. With no premium to year-end net asset value and little earnings growth to come, the shares look pricey.

# Rossmont drops by 20% at halftime

Rossmont, which came to the market in December, reported pre-tax profits down 20 per cent to £50,000 in the half year to December 31, against £75,000 last time.

Rossmont is the holding company for Santric, which supplies washroom and

hygiene equipment. Mr Robert Burns, chairman, said Santric was enjoying a good year, though volume comparisons with the previous 12 months were affected by a large project to equip the new stand at Twickenham rugby stadium in the summer of 1992.

## IN BRIEF

**RATHBONE BROTHERS** entered agreement to acquire Allside Asset Management Company for £850,000 in shares.

**REGENT CORPORATION**, Surrey-based property developer, has bought Jaygrange Properties for £98,000 in shares.

**RICHARDSON WESTGARTH** rights issue has been accepted in respect of 91.11 per cent of the issue.

**ROYAL BANK OF Scotland** has conditionally agreed the sale of its 64 per cent holding in Associated Merchant Bank, a Singapore leasing and hire purchase business. The acquiring company is owned jointly by General Electric Capital Services (USA) and a Jardine Pacific company.

**SERCO** is to acquire THA, a Canadian aviation company, for £1.25m, of which £1.13m is payable on completion. The vendors are James F. Hickling management consultants of Ottawa and US aviation consultancy Jerry Thompson & Associates.

**STIRLING GROUP** is withdrawing from its import business, E. Gifford. Featuretaint, an associate of Danielle Group, a Manchester-based clothing importer, has acquired for small cash sum, the benefit of certain contracts entered into by Gifford, together with the use of Gifford name and trademarks.

# Acquisition for Northumbrian Foods

Northumbrian Fine Foods, the USM-quoted food manufacturer, is taking a further step in its expansion plan with the acquisition of Jesse Oldfield, a Manchester-based cake manufacturer, for a maximum £2.56m.

An initial £1.25m will be paid via 11.68m ordinary shares, of which 6.88m have been conditionally placed on behalf of the vendors at 10p each, subject to a 1-for-7.146 cashback under an open offer to shareholders.

In addition, 2m shares have been conditionally placed to raise about £200,000 for the company, which will meet the expenses of the acquisition, the placing and the open offer.

Shareholders will be able to acquire

these on a 1-for-23.632 basis. A further consideration may be payable, of up to £1.3m, in unsecured loan notes and is dependent on Oldfield's results for the year to December 31 1994.

The vendors have undertaken not to dispose of the retained 5m shares until 12 months after completion of the acquisition.

Oldfield was acquired by its present management in a buy-out from Mount Charlotte Investments. It makes slab cakes and Christmas cakes with about 60 per cent of sales effected through multiple retailers, including Iceland, Wm Morrison, Asda and Kwik Save.

For 1993 its pre-tax profits rose from £45,000 to £235,000, after a £100,000 bad

debt provision, on turnover of £8.4m, against £3.74m.

Mr Henry Roberts, chief executive, said that although operating in a difficult and competitive market, NFF was maintaining its sales at acceptable margins.

He said that the acquisition of Oldfield would prove a "big enhancement" to full-year profits. He expected group sales for 1994-95 to be in the £24m to £25m range.

Mr Roberts said that Oldfield had strong lines for Christmas and new year, a season in which NFF sales have traditionally been weak.

The acquisition provides opportunities for the enlarged group to increase sales to a broad range of leading food retailers.

Price to Earnings Ratios for the 100 largest companies in the FT 1000, by sector, as at 27 April 1994									
	Price	Dividend	Yield	Price	Dividend	Yield	Price	Dividend	Yield
100 largest	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Automotive	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Chemicals	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Consumer Goods	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Electronics	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Energy	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Finance	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Food & Drink	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Healthcare	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Industrial	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Media	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Metals	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Oil & Gas	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Real Estate	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Telecoms	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Utilities	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Waste	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%
Other	11.00	1.00	9.09%	11.00	1.00	9.09%	11.00	1.00	9.09%

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صكنا من الامل

COMPANY NEWS: UK

UK markets for core business of buses and refuse vehicles shows further expansion

## Trinity Holdings up 50% to £10.6m

By Paul Taylor

Trinity Holdings, the UK's leading specialist vehicle manufacturer, yesterday reported a 50 per cent increase in pre-tax profits in its first full year as a publicly quoted company. Pre-tax profits at the group increased to £10.6m in the 12 months to January 31, against £7.08m last time. Turnover increased by 24 per cent to £136m (£109.9m) with all subsidiaries reporting growth in sales, particularly exports, which overall rose 70 per cent to £59m.

Earnings per share increased by 29 per cent to 13.3p (10.7p) and a 4.2p final dividend is recommended, making a total of 6.3p (1.5p) for the year. The shares closed 15p higher at 308p.

Commenting on the results,

Mr Geoff Hollyhead, chairman, said, "The UK markets for our core business of buses and refuse vehicles showed growth for the second consecutive year." But although group vehicle output rose from 2,458 to 3,439 units, the year-end order book level was still ahead of the previous year.

At the trading level margins were broadly in line with the previous year, but volume growth lifted operating profits to £10.6m (£8.5m). Dennis Specialist Vehicles, the market leader in both the bus and fire markets, and Dennis Eagle, which manufactures refuse chassis, both saw sales grow in response to the overall market recovery and new product launches. Reliance Mercury Vehicles' markets are beginning to improve. Mr Hollyhead said trading in the first

quarter of the current year was "substantially ahead".

### COMMENT

The sharp dividend increase announced yesterday underlines the confidence Trinity's management has in the group's future performance. Domestic sales should continue to benefit from the general market recovery as well as special factors such as the second round of tendering for refuse collection services and the progressive bus replacement policies of private sector operators. Overseas, meanwhile, the group's Malaysian bus manufacturing joint venture is going ahead despite recent problems between the two countries and should provide an important entry into the fast-growing Asian market. Profits of about £12.5m look possible this year



Geoff Hollyhead: order book level still ahead

producing earnings of 16.3p. The shares are trading on a well deserved prospective p/e of 18.8.

## DFS 'bang on target' with jump to £9.99m

By Maggie Urry

DFS Furniture, the specialist upholstery retailer, yesterday reported maiden interim pre-tax profits 47 per cent higher at £9.99m, a figure "bang on target" according to Mr Graham Kirkham, chairman.

The group floated last November at 250p; the shares closed yesterday at 299p, down 1p.

Mr Kirkham said that with the third quarter almost complete and taking eight week lead times in the business into account, he was confident of predicting "a successful outcome to the year".

During the half year to January 31, sales rose 28 per cent to £66.6m, with the 23 comparable upholstery stores producing

sales gains of 8.7 per cent, reflecting increased volumes and no price increases. Two stores were opened in the half year; the group also operates three dining furniture shops.

Operating profits rose 15 per cent to £11m (£9.59m), with margins down from 16.4 to 16.5 per cent. However, Mr Chris Ferris, finance director, said margins had been distorted by extra promotional spending and store openings and compared to 16.3 per cent for the whole of 1993-94. At the time of the float DFS said operating margins for the current year would be similar to last year's.

Pre-tax profits were affected by non-recurring items, including the £1.49m cost of the float in the latest period and the £4.14m package paid to Mr Kirkham prior to the float in the comparable figures, which was partially offset by a £940,000 property profit. Interest receivable was £483,000 (£564,000). Mr Ferris said net cash at the half year end was £16.5m, which gave the group the flexibility to take up opportunities. The group recently paid £2m for a freehold site for a store in Birmingham. Capital spending for the year is forecast at £6.5m (£4.1m).

Excluding the non-recurring items, earnings per share rose 11.2 per cent to 7.44p. The interim dividend is set at 2.3p (notional 2.1p) and Mr Kirkham stressed the aim was for dividends to show real growth. The notional full year dividend last year was 6.4p.

## Bett Brothers shows all-round growth

By Graham Deller

Growth across its range of activities helped Bett Brothers record a substantial increase in profits before tax in the six months to February 28.

On turnover ahead 39 per cent to £12.6m (£9.17m) the profit line at this Dundee-

based housebuilding and property group jumped from £551,000 to £2.1m.

The housebuilding side completed 84 units, up from 66 last time.

The company expects to sell more than 200 units in the full year despite the market remaining "challenging".

Commercial property development contributed £1.7m to operating profit while Bett Inns, the hotels, public houses and catering operation, delivered improved results "in circumstances where the trade both nationally and locally is down".

Interest charges dipped to

£271,000 (£406,000). Gearing at end-February was 42 per cent, down from 52 per cent at the company's August year-end.

Earnings per share leapt to 13.85p (3.67p). The interim dividend is raised from 0.5p to 1.25p in anticipation of a satisfactory result for the full year.

## S Jerome helped by textiles turnaround

A turnaround in its continuing textiles business helped S Jerome & Sons (Holdings) report sharply lower pre-tax losses of £404,000 for 1993, compared with £1.56m previously.

The West Yorkshire-based spinner and weaver suffered a £750,000 charge related to the resolution of the dispute over the sale of its electronics subsidiary.

Mr Alan Jerome, chairman, said that for

the continuing business the operating profit before interest had risen from £82,000 to £704,000 and net interest paid had fallen to £358,000 (£468,000).

The continuing textiles business turned its pre-tax loss of £386,000 into a £346,000 profit. Sales rose 18 per cent to £25.3m (£21.4m).

A final dividend of 0.3p makes a total of 0.5p (nil) for the year. Losses per

share worked through at 4.7p (21p).

A £750,000 capital expenditure programme is planned this year, to be spread across all activities.

Mr Jerome said the higher levels of activity seen in 1993 had continued in the first quarter of the current year. He was cautiously optimistic that further improvements in performance would be achieved this year.

## Losses increase to £1.1m at Haemocell

Losses at Haemocell, the USM-traded medical equipment maker, increased from £868,000 to £1.1m in the six months to February 28.

Mr Andrew Priestley, chairman, said that as anticipated, the initiative to re-establish direct control of sales and marketing arrangements for its System 350 range had a substantial impact on the outcome.

This reflected a period of enforced sales inactivity as the process of selection, appointment and training of new distributors continued.

Turnover dropped to £74,000, against £542,000 previously, reflecting the company's inability to recommence sales initiatives until very late in the period.

Product refurbishment and repackaging, together with expenses associated with the re-establishment of an international distribution network kept costs high. This was despite some temporary reduction in manufacturing capacity facilitated by higher stock levels.

Losses per share deepened from 4.3p to 5.1p.

## Colorvision shares fall sharply on warning

Shares in Colorvision, the Liverpool-based television and video retailer, fell 15p to 48p yesterday, as directors forecast a drop in year-end pre-tax profits from £1.78m to about £300,000.

An improving sales trend, which had been noted during

the third quarter of the year to March 31, did not continue beyond January, they explained. Sales in the last two months of the period "fell below expectations".

The directors added that "it would not be appropriate to pay a final dividend".

### NEWS DIGEST

## S&U grows 24% to £5.6m

S&U, the consumer credit group, yesterday said that organic growth was behind a strong advance in annual profits.

Mr Derek Coombs, chairman, said the 24 per cent improvement at the pre-tax level - from £4.52m to £5.62m - was "very encouraging" and achieved without any acquisitions.

Turnover at the Birmingham-based group firmed to £56.9m (£53m). Earnings per share emerged at 33.8p, up from 27.4p, and the recommended final dividend goes up to 8.9p, bringing the total distribution for the year to 11.5p, up 15 per cent.

Directors also proposed a 1-for-10 scrip issue.

## Kleinwort Benson 'very active'

Shares of Kleinwort Benson, the investment banking and management business concern, rose 38p to 433p yesterday as Lord Rockley, chairman, told the annual meeting that all parts of the group had been "very active so far in the current year".

He added that new mandates had been won in many areas of the company's core businesses and that the overall performance for the first quarter was in line with the same period last year.

## Murray Split net asset value up 13%

Murray Split Capital Trust reported a net asset value of 243.8p per capital share as at February 28, an increase of 13 per cent on the figure of 214.9p per share at the August year-end. Including the zero dividend preference shares and income shares, total net assets rose 8.3 per cent to £26.1m.

The trust, part of the Murray Johnstone stable in Glasgow,

lifted available revenue for the six months to end-February from £338,000 to £369,000, equivalent to earnings of 4.61p (4.23p) per income share.

The second quarterly dividend is held at 2.55p, making an unchanged 5.3p to date. The directors intend to maintain the total for the year at 10.6p.

## Scottish National asset value down

The Scottish National Trust had a net asset value per capital share of 81.2p at March 31 1994 compared with 94.9p six months earlier.

Net revenue for the six months fell from £6.8m to £6m. Earnings per income share were 3.09p (3.48p) and a second quarterly dividend of 1.55p maintains the total for the six months at 3.1p.

## Govett Strategic net assets at 310p

Govett Strategic Investment Trust, which aims for capital and income growth through a portfolio of small and medium-sized UK companies, reported a net asset value, taking prior charges at par, of 310.5p as at March 31.

The figure compared with values of 298.07p at September 30 and 270.7p at end-March 1993.

Available revenue for the six month period was virtually unchanged at £3.52m, for earnings of 3.59p (3.55p) per share. The interim dividend is maintained at 2.65p.

## Spinning recovery helps Shiloh to £1m

The expansion of its healthcare activities, together with a recovery in spinning in the second half, resulted in a 48 per cent profits rise at Shiloh in the year to March 28.

On sales up 10 per cent from £35.6m to £39.2m the pre-tax figure jumped to £1.18m (£756,560).

The final dividend is raised to 2.5p (2.025p) making a total of 3.5p (2.9p) on earnings per share of 15.15p (7.96p).

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## COMMODITIES AND AGRICULTURE

## Coffee retreats after Brazilian sales agreed

By Deborah Hargreaves

New York coffee prices are expected to slip back today when trading re-opens after yesterday's day of mourning for ex-President Nixon following a sharp a tonne drop in the London market.

Trading was light at the London Commodity Exchange, where July robusta coffee futures fell \$13 to \$1,478 a tonne. Traders suggested the

market was taking a breather after the recent run-up in price.

But the New York market could show a reaction to Tuesday's agreement in Brazil on plans for the sale of 2.4m bags (80kg each) from the government's stockpile this year in spite of strong opposition to it.

The Brazilian government has agreed to auction 150,000 bags to the soluble industry in May and June along with

300,000 bags to the roasters. The rest will be staggered over the following months although the government says the sale will be dictated by necessity.

Traders believe that, although the Brazilian coffee auction is directed at the domestic market, it is bound to have a knock-on effect on international trade by freeing more supplies for export. "It does slightly change the fundamentals of the market and in

my view, reduces its potential," one trader said.

Mr Lawrence Eagles, commodity analyst at GNI, said that the Association of Coffee Producers, which is sticking to the export retention scheme, was worried that Brazil's stock sales would delay the return of reasonable market prices to the industry. "Indeed, the repercussions could even trigger a price collapse if the aftermath forces the ACPC to disband,"

he warned in GNI's latest futures and options briefing.

Coffee producers are expected to halt retention of arabica coffee for export after the daily indicator price reached 80 cents a pound yesterday. On Monday the indicator for robusta coffee broke through 70 cents a pound, which is the level that should trigger stock releases. Retention plan officials will meet in London next month to discuss any sales.

## Continuing zinc glut forecast

By Kenneth Gooding, Mining Correspondent

The zinc market faced severe difficulties because of oversupply, the International Lead & Zinc Study Group, an international governmental organisation, warned yesterday. It dropped a broad hint that member governments should urge their industries to take action to halt the oversupply that is swelling stocks and depressing prices.

The study group said that information supplied by its members showed that zinc metal production outside the former communist countries was on course to repeat last year's record of 5.47m tonnes. Imports from eastern Europe might be a little below the "extremely high" 415,000 tonnes reached last year, "but at present there is little indication of a major reduction".

Meanwhile, zinc consumption was forecast to improve by 1.6 per cent to 5.57m tonnes, thanks to strong growth in North America and South East Asia.

The study group warned that "a further substantial surplus of metal appears inevitable unless metal production is reduced from levels currently planned." Stocks already are equivalent to nearly four months consumption with 1.1m tonnes in London Metal Exchange warehouses alone.

Zinc prices have fallen by 10 per cent from the already depressed \$1,040 a tonne reached just before European producers admitted in mid-February that their attempts to end over-capacity by the co-ordinated closure of one or two smelters had collapsed. It was the second attempt to deal with the structural overcapacity that has plagued the European zinc industry for 20 years via the industry sharing the cost of smelter closures. It is widely believed that the zinc smelter "shut-down" deal fell apart because producers believed some rivals had such huge financial difficulties that they would be forced to close smelters anyway.

## Zaire's problems make room for cobalt competitors

By Kenneth Gooding

The world had room for the substantial new cobalt production in that time to 2,200 tonnes and 1,218 tonnes respectively.

The institute estimated that, when non-members and other sources were included, 17,263 tonnes of new cobalt was available in the western world last year, down from 22,781 tonnes in 1992. With 3,000 tonnes left in stock at the end of 1992, the institute said it would be safe to assume that 20,280 tonnes was available. This was in line with demand (outside Russia), which it estimated at 19,200 tonnes.

The institute pointed out that "the underlying trend of rapidly falling output from Zaire asserted itself and the price going into 1994 effectively doubled over the Christmas period."

It added: "There is much new cobalt production, in embryo or close to hatching stage, in various parts of the world. They should be born into a receptive world."

Finland and Sherritt of Canada each have nearly doubled production in that time to 2,200 tonnes and 1,218 tonnes respectively.

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## Rice futures contract set to join Chicago's big boys

By Laurie Morse in Chicago

The world's only rice futures contract is about to come of age.

The Chicago Board of Trade, which trades futures and options on maize, wheat, soybeans and other agricultural and financial commodities, plans to adopt as its own the rough rice futures contract now traded on its tiny subsidiary, the MidAmerica Com-

modity Exchange.

The CBOE wants to shift the contract, which trades in units of 200,000 pounds of No. 2 or better long grain, rough rice, deliverable in 12 countries in eastern Arkansas, under its own banner because of a recent surge in world rice trading.

Production shortfalls in 1992 and 1993 have resulted in Japan purchasing significant amounts of rice on the world

market for the first time since 1984.

"The CBOE believes the rice contract is destined to grow as more and more countries open up their markets to free trade. The CBOE can provide greater visibility and a broad range of opportunities for the rice contract," said Mr. Patrick Arbor, CBOE chairman.

Rice futures were launched in 1981 at the now-defunct New Orleans Commodity Exchange.

After three years of listless trading, the contract shifted to Chicago, and came under the jurisdiction of the MidAmerica Exchange. Still lightly traded, 7,821 rice futures contracts changed hands at the MidAm during March.

US rice production has averaged about 8m tonnes a year since 1980, with long grain rice representing about 70 per cent of that total. According to CBOE statistics, about 50 per

cent of US long grain rice is grown in Arkansas, the deliverable area for the futures contract.

Although the US accounts for only 1 to 2 per cent of world rice production, it exports about 40 per cent of its crop, making it the second leading rice exporter in the world after Thailand. In 1993 the US exported 2.7m tonnes of rice out of total world exports of 16m tonnes.

## Cocoa losing its appeal for Malaysian growers

Producers are grubbing up trees as hopes of higher prices fade, writes Kieran Cooke

Not so long ago cocoa was referred to as "green gold" by planters in Sabah, East Malaysia. In 1990 production of cocoa beans in Sabah rose to 145,000 tonnes out of a total Malaysian production of just under 250,000 tonnes.

But now increasing numbers of planters, despairing of a sustained rally in world cocoa prices, are grubbing up their cocoa trees. Cocoa production in Sabah fell 9 per cent to 122,000 tonnes last year while total Malaysian production fell 10 per cent to 200,000 tonnes.

"There was an upswing in prices at the end of last year," says Mr Hashim Abdul Wahab, head of the Malaysian Cocoa Board. "But it wasn't enough to make people stay in cocoa. Once again we are seeing a reduction in areas planted with cocoa. In 1990 420,000 hectares of land countrywide was given over to cocoa. Last year it had

come down to 375,000 hectares."

In recent years the structure of Malaysia's economy has been transformed. In 1987 commodities and mining made up 55 per cent of export values. By 1993 manufactured goods accounted for more than 70 per cent of the total value of exports.

Increasing numbers of people have left the land for the factories in the towns. Malaysia's GDP has grown by more than 8 per cent in each of the last six years. Wages have been rising: there are serious labour shortages in many country areas. But international prices of most Malaysian commodities have continued to fall.

Most of Malaysia's tin miners have given up the struggle for survival. Rubber producers are turning increasingly to the more profitable palm oil. Cocoa growers are following suit. "It's very tough - especially

for those in primary cocoa production," says Mr Hashim. "What we are trying to do now is go into more downstream activities and absorb more of the cocoa crop ourselves. We also need to search out new markets like China."

The Ivory Coast and Brazil have for some time been the world's biggest cocoa producers, but the big change in production patterns in the last three years has been a surge in Indonesian cocoa output. Most estimates put Indonesian production at more than 280,000 tonnes last year.

Indonesia has plentiful supplies of cheap labour. The Jakarta government has also been offering considerable subsidies to cocoa growers in order to open up new plantations and encourage resettlement in sparsely populated areas.

Malaysian cocoa growers cannot compete with Indonesian production costs. It now

costs about M\$3,000 (\$1,115) a tonne for cocoa produced on Malaysia's estates - M\$2,400 on smallholdings. Costs in Indonesia are about 25 per cent lower. Though cocoa prices on the Malaysian market have climbed to M\$2,800 per tonne in recent months, many feel cocoa has had its day in Malaysia.

The Malaysian Cocoa Board is fighting to stop a wholesale abandonment of the crop. It points out that though Malaysia is a high cost producer, it is none the less an efficient one. Some estates in Sabah are producing 2,000kg of cocoa a hectare. In Africa the average is about 500kg per hectare.

Hopes that world cocoa prices will continue to rise, have been partially revived by the agreement reached recently by producing and consuming countries on a new five-year world cocoa agreement aimed at bringing supply

and demand into balance.

While cocoa statistics are notoriously unreliable, most analysts agree that world production has lagged behind consumption in each of the last three years. But world stocks are still around the 1m-tonne mark and the international cocoa organisation has meanwhile pledged to liquidate its buffer stock of 180,000 tonnes by 1998.

"The key is proper monitoring of world production and perhaps most important, more commitment to encourage wider cocoa consumption," says Mr Hashim.

"Malaysia has been open about its production figures. We have also made great efforts through various campaigns to increase public consumption of cocoa. We hope other countries take similar measures. If not, we will never achieve our aim of achieving fair prices."

## Oman gases up for drive to maintain export earnings

Andi Spicer on a \$9bn LNG project that will help reduce the sultanate's dependence on oil revenues

Oman, one of the smaller oil producers in the Middle East, gave the final go-ahead earlier this year for a \$9bn liquefied natural gas project that will by the end of the century make gas almost as important as oil to the sultanate's export revenues.

The shift in emphasis to gas is part of strategy to lead the country away from dependence on its limited oil reserves, which will start to decline within the next 20 years. Most recent discoveries have been of non-associated gas (found separately from oil fields) and this makes the economics of a large export facility more attractive. More than five trillion (million million) cubic feet of gas was found last year.

"Reserves keep on improving every month and we're quite confident that current estimates of 20 trillion cubic

feet of gas will double by the end of the decade, and will be enough for 50 years," said Mr Khalifa al-Hinai, director general of gas, after the LNG project was given the green light in February.

But the low oil price, which has had a knock on effect on LNG rates, has made Oman rethink its original plans and it is considering where costs can be cut. The US\$9bn price tag was always at the top end of expectations and Mr Khalifa al-Hinai believes that shaving costs will not diminish the project in any way.

The gas will come mainly from three large fields in the central Wusta region of the country - Sayl Rawl, Sayh an Nugaydah and Barik. These fields are recent discoveries and between them have proven reserves of 6.3 trillion cu ft.

A pipeline is to run north through

the Wahiba Sands to a point near Sur, where it will branch along the coast to the site of a new \$2bn liquefaction plant and loading facilities at Simmah. It will run underwater for some of the way to protect the area's stunning natural beauty.

The upstream part of the project will be 100 per cent owned by the Omani Government and operated on its behalf by state-owned Company Petroleum Development Oman. But a new company, Oman LNG, has been formed to handle the downstream processing. Partners include Shell (34 per cent), Total (6 per cent), Aramco (2 per cent), Mitsui (3 per cent) and Citibank (1 per cent). The government will hold the remaining capital.

Start up is scheduled for August 1999 and Omani oil minister Said bin Ahmed al-Shanfari has said that the

plant's capacity will be 5m-6m tonnes a year.

"This will make LNG production equal to that of oil and make gas Oman's second largest foreign exchange earner after oil. It is a world-scale project, like the projects in Qatar and Abu Dhabi," he explained.

When the gas starts to flow there will initially be a high percentage of condensate (a light liquid gas), which will gradually decline over the life-time of the project, said Mr Khalifa al-Hinai.

The involvement of Japanese companies in OMAN betrays the major destination for the gas - Tokyo Gas has visited Muscat to negotiate buying LNG from the project. But ministry officials have said that southern European utilities, particularly from Spain, Italy and France have

expressed an interest. Other Asian countries, like south Korea and China, Taiwan, Thailand and India are also being targeted.

Oman's LNG export is an important part of in a growing gas network in the Gulf region. A \$5m pipeline to transport gas from Oman to India is under consideration and long-term the UAE, Qatar and Oman are thinking of linking their gas systems together to provide a unified export route to Asia. Yemen is on the edge of its gas exploitation, although its non-membership of the Gulf Co-operation Council will hamper its inclusion.

The attraction of Oman as an export terminal is its strategic position on the right side of the Straits of Hormuz. Japan, in particular, is worried that another Gulf war would close the straits and considers Oman a safer political bet.

## MARKET REPORT

## Zinc and nickel make late gains at the LME

Base metals ended the day trading in recent well-established ranges with the closure of the New York Commodity Exchange stifling activity in the COMEX market. But zinc and nickel prices moved higher as buying picked up in the afternoon "lull" session.

ALUMINIUM was weathered Chinese selling to maintain early gains reflecting speculative buying and short-covering. Last business for the three months delivery position was at \$1,296.50 a tonne, up \$10.50.

Three months ZINC recovered from a low of \$932 a tonne on the back of late truck commission house buying and short-covering. It closed at \$945, up \$9 from Tuesday.

NICKEL, after finding support at \$5,300 a tonne for three months delivery, moved higher in late trading amid European trade buying to end at \$5,385.

Trading was very slow on the precious metal markets after a featureless options expiry.

GOLD fixed at \$374.25 a troy ounce, just 10 cents down on the morning setting and 5 cents below the Tuesday afternoon fixing. "Everything has come off a bit. There is very little business going on," one dealer said.

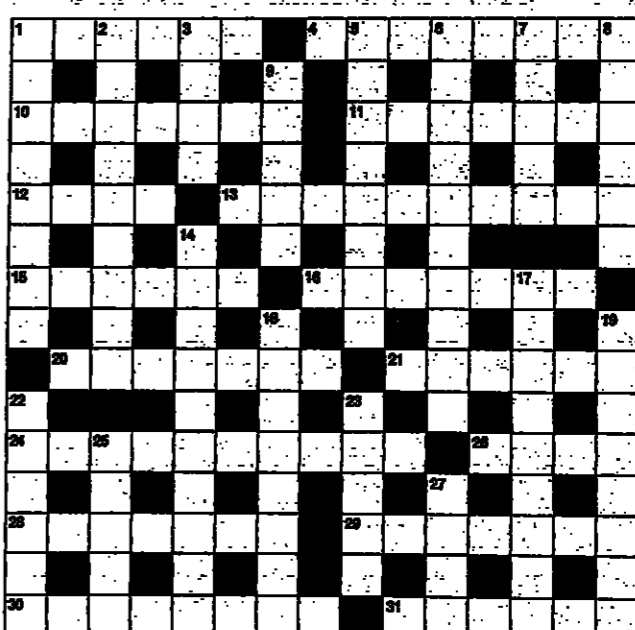
GOLD gained some early support from the rather fraught start to polling in South Africa and was marked up a couple of ticks after news of the bomb at Johannesburg airport, dealers said.

SILVER was quiet all day and slipped to a cent under the \$5.17-95.19 opening by mid-afternoon after gaining a couple of ticks earlier.

Compiled from Reuters

## CROSSWORD

No. 8,440 Set by ALAUN



- ACROSS**
- How a policeman feels when he catches a subject? (6)
  - Did the crochety old soldier fiddle with it? (3)
  - Doesn't go back with me, it's pouring outside (7)
  - Order a strike to try to attract attention (4,5)
  - Little chance was seen in India for many years (4)
  - Disallowed by rules in a mess (3,5)
  - Clumsily darned the hole in it, but made it look better (7)
  - When there's a vacancy, she orders a girl to go round (6)
  - Don't bother to take a holiday by yourself (5,5)
  - Soon there will be no point to getting ahead (4)
  - Guide to behaviour (7)
  - Notes the tin soldiers - two lots of them (7)
  - It might stop a report getting a hearing (6)
  - Is that herring high? (5)
- DOWN**
- In the conventional way, with a school friend (3)
  - Having got shot of, in no danger from any more (8)
  - Make up a yarn (4)
  - Supposed it was an adder (5)

**ATTENTION! EMERGENCY!**  
 R H I M A E I T  
 U N I O N J A C K T O X I C  
 R O B E R T E Y K  
 DATE OF BIRTH  
 R V O G G O  
 E S S E N C E S A D A M A L  
 O I S O N U  
 E X C E D S S I X T E E N  
 S R E A V E F  
 T W E N T Y F O U R  
 I Y R A S I E  
 F O R T Y E I G H T O N E  
 L I G H T U G O Z  
 E V E N T O O T H E N Z Y M E

## COMMODITIES PRICES

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Unsmelted Metal Trading)

■ ALUMINIUM, 99.7 PURITY (\$ per tonne)

Cash 3 mths

Close 1285.5-6.5 1282-3

Previous 1287.5-8.5 1284-5

High/Low 1289.1/1286 1287/1286

AM Official 1286-6.5 1282-2.5

Karb close 1286-6.5 1282-2.5

Open int. 257.773

Total daily turnover 36,627

■ ALUMINIUM ALLOY (\$ per tonne)

Close 1305-10 1305-10

Previous 1300-10 1305-10

High/Low 1300 1310/1305

AM Official 1300-10 1305-10

Karb close 1300-10 1310-5

Open int. 4,081

Total daily turnover 615

■ LEAD (\$ per tonne)

Close 437-8 462-3

Previous 439-40 464-5.0

High/Low 437/460 467/460

AM Official 435-5-6.0 460-5-1.0

Karb close 435-5-6.0 460-5-1.0

Open int. 33,194

Total daily turnover 10,338

■ NICKEL (\$ per tonne)

Close 6255-60 5325-30

Previous 6235-40 5310-20

High/Low 6250/6247 5305/5305

AM Official 6247-50 5320-25

Karb close 6247-50 5320-25

Open int. 52,617

Total daily turnover 12,205

■ TIN (\$ per tonne)

Close 5395-70 5430-35

Previous 5320-30 5385-80

High/Low 5430-45 5405-10

AM Official 5405-10 5445-50

Karb close 5405-10 5445-50

Open int. 16,851

Total daily turnover 4,348

■ ZINC, special high grade (\$ per tonne)

Close 914-15 936-7

Previous 908.5-11.5 931-3

High/Low 910 940/932

AM Official 908.5-10.5 932-2.5

Karb close 908.5-10.5 945-6

Open int. 101,519

Total daily turnover 12,130

■ COPPER, grade A (\$ per tonne)

Close 1895-5.5 1917-18

Previous 1889-9 1911-11.5

High/Low 1892/1911 1914.5-15.0

AM Official 1892-3 1914.5-15.0

Karb close 1892-3 1914.5-15.0

Open int. 183,407

Total daily turnover 38,571

## Base Metals continued

■ LME AM Official 2/5 rates: 1.5075

LME Closing 2/5 rates: 1.5050

Spot: 1.5065 3 mths: 1.5030 6 mths: 1.5010 9 mths: 1.5000

■ LONDON BULLION MARKET

(Gold supplied by N M Rothschild)

Gold (Troy oz.) \$ price

Close 374.20-374.30

Opening 374.20-374.30

Morning fix 374.25 248,523

Afternoon fix 374.25 248,282

Day's High 374.30-374.30

Day's Low 374.10-374.10

Previous close 373.50-373.50

Loos Ltd Mean Gold Lending Rates (Vs US\$)

1 month 3.48 6 months 3.51

2 months 3.56 12 months 4.45

3 months 3.54

Silver Fix p/Troy oz. US oz. equiv.

Spot 516.50

3 months 548.95 521.60

6 months 557.50

1 year 561.40 541.55

Gold Coins \$ price £ equiv.

Kruggerand 377-380 250-252

Maple Leaf 384.45-388.90

New Sovereign 58-81 58-81

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

**INVESTMENT TRUSTS - Cont**

	0.75 Wm	Pos.
324	0.8	352.1
325	0.8	352.1
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396	0.8	352.1
397	0.8	352.1
398	0.8	352.1
399	0.8	352.1
400	0.8	352.1

## EXTRACTIVE INDUSTRIES

93	-	85.3	-13.0
90	-	109.7	-4.2
87	-	104.4	4.2
84	29.8	-	-
81	-	80.5	57.9
78	-	-	-
75	-	-	-
72	-	-	-
69	6.6	275.1	-2.5
66	12.5	42.0	2.4
63	-	-	-
60	4.2	145.6	3.5
57	6.8	142.9	-1
54	18.9	-	-
51	-	254.3	65.2
48	-	-	-
45	1.4	-	-
42	6.4	22.9	-28.9
39	-	-	-
36	12.1	37.9	-4.3
33	-	-	-
30	5.0	108.6	-5.6
27	9.5	-	-
24	-	233.7	34.5
21	2.8	-	-

## ENGINEERING VEHICLES

[illegible]

VSER	100	+15	1000	850	377.1	3.0
Version 100	100	—	21.2	14.6	20.8	—

3.0	19.5	8.4
2.0	20.1	20.0
1.0	21.1	-1.0
0.0	20.2	
-1.0	19.3	10.6
-2.0	18.3	15.8
-3.0	17.3	20.0
-4.0	16.3	25.2
-5.0	15.3	30.4
-6.0	14.3	35.6
-7.0	13.3	40.8
-8.0	12.3	46.0
-9.0	11.3	51.2
-10.0	10.3	56.4
-11.0	9.3	61.6
-12.0	8.3	66.8
-13.0	7.3	72.0
-14.0	6.3	77.2
-15.0	5.3	82.4
-16.0	4.3	87.6
-17.0	3.3	92.8
-18.0	2.3	98.0
-19.0	1.3	103.2
-20.0	0.3	108.4
-21.0	-0.7	113.6
-22.0	-1.7	118.8
-23.0	-2.7	124.0
-24.0	-3.7	129.2
-25.0	-4.7	134.4
-26.0	-5.7	139.6
-27.0	-6.7	144.8
-28.0	-7.7	150.0
-29.0	-8.7	155.2
-30.0	-9.7	160.4
-31.0	-10.7	165.6
-32.0	-11.7	170.8
-33.0	-12.7	176.0
-34.0	-13.7	181.2
-35.0	-14.7	186.4
-36.0	-15.7	191.6
-37.0	-16.7	196.8
-38.0	-17.7	202.0
-39.0	-18.7	207.2
-40.0	-19.7	212.4
-41.0	-20.7	217.6
-42.0	-21.7	222.8
-43.0	-22.7	228.0
-44.0	-23.7	233.2
-45.0	-24.7	238.4
-46.0	-25.7	243.6
-47.0	-26.7	248.8
-48.0	-27.7	254.0
-49.0	-28.7	259.2
-50.0	-29.7	264.4
-51.0	-30.7	269.6
-52.0	-31.7	274.8
-53.0	-32.7	280.0
-54.0	-33.7	285.2
-55.0	-34.7	290.4
-56.0	-35.7	295.6
-57.0	-36.7	300.8
-58.0	-37.7	306.0
-59.0	-38.7	311.2
-60.0	-39.7	316.4
-61.0	-40.7	321.6
-62.0	-41.7	326.8
-63.0	-42.7	332.0
-64.0	-43.7	337.2
-65.0	-44.7	342.4
-66.0	-45.7	347.6
-67.0	-46.7	352.8
-68.0	-47.7	358.0
-69.0	-48.7	363.2
-70.0	-49.7	368.4
-71.0	-50.7	373.6
-72.0	-51.7	378.8
-73.0	-52.7	384.0
-74.0	-53.7	389.2
-75.0	-54.7	394.4
-76.0	-55.7	399.6
-77.0	-56.7	404.8
-78.0	-57.7	410.0
-79.0	-58.7	415.2
-80.0	-59.7	420.4
-81.0	-60.7	425.6
-82.0	-61.7	430.8
-83.0	-62.7	436.0
-84.0	-63.7	441.2
-85.0	-64.7	446.4
-86.0	-65.7	451.6
-87.0	-66.7	456.8
-88.0	-67.7	462.0
-89.0	-68.7	467.2
-90.0	-69.7	472.4
-91.0	-70.7	477.6
-92.0	-71.7	482.8
-93.0	-72.7	488.0
-94.0	-73.7	493.2
-95.0	-74.7	498.4
-96.0	-75.7	503.6
-97.0	-76.7	508.8
-98.0	-77.7	514.0
-99.0	-78.7	519.2
-100.0	-79.7	524.4
-101.0	-80.7	529.6
-102.0	-81.7	534.8
-103.0	-82.7	540.0
-104.0	-83.7	545.2
-105.0	-84.7	550.4
-106.0	-85.7	555.6
-107.0	-86.7	560.8
-108.0	-87.7	566.0
-109.0	-88.7	571.2
-110.0	-89.7	576.4
-111.0	-90.7	581.6
-112.0	-91.7	586.8
-113.0	-92.7	592.0
-114.0	-93.7	597.2
-115.0	-94.7	602.4
-116.0	-95.7	607.6
-117.0	-96.7	612.8
-118.0	-97.7	618.0
-119.0	-98.7	623.2
-120.0	-99.7	628.4
-121.0	-100.7	633.6

## FOOD MANUFACTURERS

16			
66	3.8	108.4	5.1
67	3.9	90.7	4.8
207	1.6	108.4	5.1
208	1.6	108.4	5.1
209	1.6	108.4	5.1
126	4.8	128.8	9.8
127	4.8	128.8	9.8
128	4.8	128.8	9.8
129	4.8	128.8	9.8
130	4.8	128.8	9.8
131	4.8	128.8	9.8
132	4.8	128.8	9.8
133	4.8	128.8	9.8
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138	4.8	128.8	9.8
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140	4.8	128.8	9.8
141	4.8	128.8	9.8
142	4.8	128.8	9.8
143	4.8	128.8	9.8
144	4.8	128.8	9.8
145	4.8	128.8	9.8
146	4.8	128.8	9.8
147	4.8	128.8	9.8
148	4.8	128.8	9.8
149	4.8	128.8	9.8
150	4.8	128.8	9.8
151	4.8	128.8	9.8
152	4.8	128.8	9.8
153	4.8	128.8	9.8
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157	4.8	128.8	9.8
158	4.8	128.8	9.8
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165	4.8	128.8	9.8
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179	4.8	128.8	9.8
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181	4.8	128.8	9.8
182	4.8	128.8	9.8
183	4.8	128.8	9.8
184	4.8	128.8	9.8
185	4.8	128.8	9.8
186	4.8	128.8	9.8
187	4.8	128.8	9.8
188	4.8	128.8	9.8
189	4.8	128.8	9.8
190	4.8	128.8	9.8
191	4.8	128.8	9.8
192	4.8	128.8	9.8
193	4.8	128.8	9.8
194	4.8	128.8	9.8
195	4.8	128.8	9.8
196	4.8	128.8	9.8
197	4.8	128.8	9.8
198	4.8	128.8	9.8
199	4.8	128.8	9.8
200	4.8	128.8	9.8

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128	3.4	145.2	8.4
108	3.0	108.7	-6.7
48			
100			
105	3.0	120.0	5.8
154			
30			
109	4.3	130.2	3.4
45			
170			
78	18.1	101.0	54.7
367	1.3	198.3	-2.3
154		61.3	7.0
70		92.8	16.1
0.4			
219		255.3	9.1
512	2.3	307.9	10.4
212	3.8	101.8	-4
133	1.4	420.3	11.8
423	3.3	508.4	1.3
535			
171	8.8	49.5	13.3
4			
123	3.2	214.2	14.8
86			
131	1.0	136.6	4.1

## HEALTH CARE

106	3.6	120.0	5.8
124	-	-	-
30	-	-	-
109	4.3	130.2	8.4
43	-	-	-
ET176	-	-	-
78	10.4	-	-
77	-	181.9	54.7
167	1.3	188.5	2.3
53	-	92.8	7.0
87	-	92.8	18.1
212	-	255.3	9.1
210	8.2	-	-
226	2.3	207.9	10.4
63	19.8	107.6	-4
2127	-	-	-
268	1.1	420.3	11.5
193	-	-	-
433	0.3	508.4	1.3
335	-	-	-
-47	8.4	45.6	13.3
44	-	-	-
183	0.3	214.2	14.8
80	-	-	-
78	-	-	-
131	1.0	138.6	4.1

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**GUERNSEY (SIB RECOGNISED)**

**JERSEY (20 REUNIONS)**

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## CURRENCIES AND MONEY

## MARKETS REPORT

## German rates lower

The prospect of a decisive decoupling of US and European interest rates was improved yesterday by another generous cut in the German repo rate, writes Philip Gauthier.

The Bundesbank cut the repo by 11 basis points to 5.47 per cent, more than most commentators had expected. The dollar failed, however, to gain strength from lower German rates, closing in London at \$1.6727 against the D-Mark from \$1.6801. It fell to \$1.6502 from \$1.6725 against the yen. Afternoon trade was subdued with most US financial markets closed to honour the late President Nixon.

Elsewhere the pound held on to the gains it had made on Tuesday, with the sterling index finishing slightly higher at 90.5 from 90.4. It was half a cent up against the weaker dollar, closing at \$1.5066 from \$1.5015. Against the D-Mark, it closed slightly weaker at DM2.52 from DM2.526.

For the second time this month, the UK money markets were witness to the fairly rare spectacle of a daily surplus rather than the normal shortage. The surplus was \$100m.

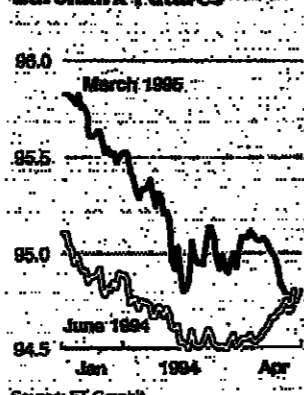
The Bundesbank's move appears to confirm that futures markets have become too bullish about the outlook for European interest rates. Mr Nick Parsons, treasury economist at CIBC, said the aggressive rate cut was "signalling that the decoupling of European rates from the US will continue."

Interest rate sentiment has deteriorated dramatically in recent months. Mr Parsons notes that the spread between the March 95 euro area contract and the June 94 contract slumped from a high of 84 basis points on January 11 to actually become negative earlier this week. Both contracts finished at 94.80 yesterday.

The CIBC analyst said he attributed the Bundesbank's fairly aggressive stance on interest rates to a desire to stop the decline in sentiment. Noting that in each of the last three rate cut cycles, the pace of easing has accelerated after 18 months, Mr Parsons said this pattern is repeating itself.

The Bundesbank's first cut in this cycle was in September

## Eurodollar Futures



## Pound in New York

Apr 27	Apr 26	Apr 25	Apr 24
90.5	90.4	90.3	90.2
90.5	90.4	90.3	90.2
90.5	90.4	90.3	90.2

## 1992 He predicts German three

month money, currently at 5.35 per cent, will fall to 4.30 per cent at the year end. The December euro area contract, by contrast, closed at 94.86, discounting short rates of about 5.15 per cent at the end of year. While the repo rate fell, call money rates rose sharply to about 6 per cent from 5.35/5.45 per cent. Traders said the Bundesbank had not delivered the funds the market had anticipated at the repo.

The D-Mark was slightly firmer in Europe. It closed at FRF3.434 against the French franc from FRF3.432, and L961.5 against the Italian lira from L958.4.

Apart from a late flurry of activity, the interest rate futures markets were fairly quiet. Sentiment was improved by the Bundesbank cut, with the June euro area contract slumping from a high of 84 basis points on January 11 to actually become negative earlier this week. Both contracts finished at 94.80 yesterday.

The CIBC analyst said he attributed the Bundesbank's fairly aggressive stance on interest rates to a desire to stop the decline in sentiment. Noting that in each of the last three rate cut cycles, the pace of easing has accelerated after 18 months, Mr Parsons said this pattern is repeating itself.

The Bundesbank's first cut in this cycle was in September

who played the market is a trader. Nobody is prepared to take a directional view," said Mr Phillips.

Short sterling futures also had a better day. Although volumes were fairly thin, the June contract closed three basis points firmer at 94.61. The French mark was described as "listless". The June PIBOR future settled four basis points firmer at 94.32.

Options about the outlook for sterling are mixed after the UK currency maintained its break above \$1.50 against the dollar.

Mr Tony Norfield, UK treasury economist at ABN-AMRO, said he was bullish about sterling. He cited three factors leading support to the pound: the perception that US rates were unlikely to fall in the near future; the sharp cut in the Bundesbank; and scepticism about how fast the Fed will tighten rates in the US.

"The fundamental buoyancy for sterling is also backed up in a lot of exchange rate charts," said Mr Norfield. He predicted that the UK currency was "reasonably well set up" for a 1 per cent increase in the next few days.

Others were more sceptical, arguing that sterling strength would evaporate as soon as the dollar recovered. Mr Neil MacKinnon, chief currency strategist at Citibank, doubts whether sterling can rise above its high for the year of DM2.6250.

He attributed current sterling strength to the view in the money markets that "any chance of an early rate cut is slim, to say the least." He said the CBI dropping its call for lower rates was also seen as an important event.

The surplus in the money markets was attributed to seasonal factors which see more money flowing in at this time of year. Overnight rates moved in the 1% - 4% per cent range.

OTHER CURRENCIES

Apr 27	Apr 26	Apr 25	Apr 24
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00
100.00	100.00	100.00	100.00

Yen per 1,000: Danish Krone, French Franc, Norwegian Krone and Swedish Krona per 100: Belgian Franc, Escudo, Lira and Pounds per 100.

## POUND SPOT FORWARD AGAINST THE DOLLAR

Apr 27		Closing mid-point	Change on day	Set-off spread	Day's Mid High	Low	One month %PA	Three months %PA	One year %PA	Bank of Eng. Index	
Europe		17.7238	-0.0022	147	17.7238	17.7147	17.72	0.5	17.7147	0.2	
Australia	(Sch)	17.7238	-0.0022	147	17.7238	17.7147	17.72	0.5	17.7147	0.2	
Belgium	(SFR)	5.8064	-0.079	400	52.0816	51.9480	51.9214	-0.8	51.9114	-0.6	
Denmark	(DKK)	13.9867	-0.073	938	13.9812	13.9686	9.9166	-1.2	9.9361	-0.5	
Finland	(FIM)	25.1833	-0.005	728	25.1833	25.1695	25.1695	-0.1	25.1695	-0.2	
France	(FFr)	16.5444	-0.0055	535	26.8364	26.8503	8.6614	-1.0	8.6694	-0.6	
Germany	(DM)	25.200	-0.0026	198	21.1	20.923	25.719	-0.5	20.217	-0.3	
Greece		398.462	-0.718	146	818	371.280	396.148				
Italy	(Lit)	1.4213	-0.0000	728	5.9	1.4213	1.4213	-1.0	1.4213	-0.9	
Japan	(Yen)	2423.30	+4.98	118	2432.24	2421.19	10.928	-0.1	10.9285	-0.2	
UK		2423.30	+4.98	118	2432.24	2421.19	10.928	-0.1	10.9285	-0.2	
Luxembourg	(Lfr)	51.8884	-0.007	430	52.0791	51.8886	51.9214	-0.8	51.9114	0.4	
Netherlands	(F)	2.8316	-0.0043	300	2.82	2.8421	2.8300	2.8287	-0.5	2.8287	0.4
Norway	(Nkr)	10.8391	-0.0248	305	110.8890	10.9305	10.8394	0.8	10.943	-0.1	
Portugal	(Esc)	205.815	-0.0000	728	205.815	205.815	205.815	-0.1	205.815	-0.1	
Spain	(Ptas)	205.815	-0.186	776	205.815	205.815	205.815	-0.2	205.815	-0.2	
Sweden	(Skr)	21.1422	-0.0011	390	51.18274	11.7330	11.7632	-2.1	11.7632	-1.5	
Switzerland	(FrS)	1.2498	-0.0046	477	2.06	1.2583	2.1477	1.26	2.1426	1.2	
USA		1.3949	-0.0005	040	1.3949	1.3949	1.3949	-1.0	1.3973	-0.7	
South Africa	(R)	1.3949	-0.0005	040	1.3949	1.3949	1.3949	-1.0	1.3973	-0.7	
Asia		1.3949	-0.0005	040	1.3949	1.3949	1.3949	-1.0	1.3973	-0.7	
Argentina	(Peso)	1.5908	-0.0052	083	0.73	1.5105	1.5049				
Canada	(C)	1.068551	+0.0045	473	1.068551	1.068551	1.068551				
Canada	(C)	2.0792	-0.0053	712	7.32	2.0792	2.0985	2.0794	-0.7	2.0985	-0.9
Mexico (New Pes)	(C)	4.9366	-0.0094	475	6.56	4.9366	4.9475				
USA	(S)	1.5908	-0.0051	061	2.106	1.5047	1.5091	1.2	1.5029	1.0	
Latin America		1.5908	-0.0051	061	2.106	1.5047	1.5091	1.2	1.5029	1.0	
Asia Pacific		1.5908	-0.0051	061	2.106	1.5047	1.5091	1.2	1.5029	1.0	
South Africa	(R)	1.3949	-0.0005	040	1.3949	1.3949	1.3949	-1.0	1.3973	-0.7	
South Korea	(Won)	1216.96	+0.07	542	830	1216.97	1214.44				
South Korea	(Won)	1216.96	+0.07	542	830	1216.97	1214.44				
Thailand	(Baht)	37.9552	-0.1273	688	216	38.0030	37.9490				
Philippines	(P)	2.0104	-0.0159	000	0.027	1.5012	2.0065	2.0089	0.9	2.0078	0.7
Hong Kong	(HK\$)	11.8293	-0.0039	351	-435	11.8697	11.8263	11.8263	1.3	11.8269	0.8
India	(Rupee)	47.2320	-0.1626	316	748	47.2077	47.2020				
Japan	(Yen)	154.484	+0.108	526	769	155.800	154.210	154.276	2.9	153.908	2.9
New Zealand	(NZ\$)	1.6872	-0.0000	000	1.6872	1.6872	1.6872				
Australia	(A\$)	2.6254	-0.0102	230	2.67	2.6315	2.6319	2.6263	-1.8	2.6322	-1.6
Philippines	(P)	41.4829	-0.139	445	41.3	41.5011	40.8957				
Scand Arabia	(Skr)	5.8501	-0.078	492	620	5.8544	5.8434				
Spain	(Ptas)	2.3439	-0.0054	294	2.3439	2.3439	2.3439				
S Africa (Com.)	(R)	5.3997	-0.0068	843	961	5.4118	5.3943				
S Africa (Fin)	(R)	7.0733	-0.0237	561	904	7.0904	7.0581				
South Korea	(Won)	1216.96	+0.07	542	830	1216.97	1214.44				
Thailand	(Baht)	37.9552	-0.1273	688	216	38.0030	37.9490				

50R rate for Apr 26. Bid/offer spreads in the Pound Sterling table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current market rates. Bid/offer spreads in the Dollar table are implied by the bid/offer spread in the Pound Sterling table. Bid and mid-values in both tables are for the Dollar Spot table spread to the UNWITNESSED CLOSING SPOT RATES. Some values are rounded by the FCI.

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# Milan remains at eight year high

Milan's continued on its record setting way and the rest of Europe took encouragement, in spite of Wall Street's unscheduled closure, from an easing in the German repo rate, writes our Markets Staff.

MILAN saw some profit taking late in the day as the appointment of Mr Silvio Berlusconi as prime minister was expected imminently. The Comit index registered a rise 11.65 to another eight year high of 813.63.

Mr Marcus Grubb at Salomon Brothers remained enthusiastic for the market, even at current heavy valuations. He noted that it had underperformed other European markets over the past four years and its valuation in comparison with bonds was still cheap. "I think that the market could still go higher. If political uncertainties caused a correction, of say, 10 per cent, I would view that as a further buying opportunity," he said.

Speculative selling hurt the biggest recent gainer, Olivetti, fell 1.5 to 12.99 in heavy volume of 23.5m shares in largely technical trade after its strong advance through resistance at 12.900 on Tuesday. The shares peaked at 13.140 yesterday, well short of the next resistance target of 13.500, before sellers moved in.

Cir, the group's industrial

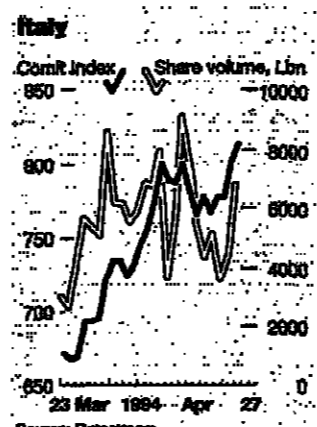
FT-SE Actuaries Share Indices

Apr 27	Apr 28	Apr 29	Apr 30	May 1	May 2	May 3	May 4	May 5	May 6	May 7	May 8	May 9	May 10	May 11	May 12	May 13	May 14	May 15	May 16	May 17	May 18	May 19	May 20	May 21	May 22	May 23	May 24	May 25	May 26	May 27	May 28	May 29	May 30	May 31	Jun 1	Jun 2	Jun 3	Jun 4	Jun 5	Jun 6	Jun 7	Jun 8	Jun 9	Jun 10	Jun 11	Jun 12	Jun 13	Jun 14	Jun 15	Jun 16	Jun 17	Jun 18	Jun 19	Jun 20	Jun 21	Jun 22	Jun 23	Jun 24	Jun 25	Jun 26	Jun 27	Jun 28	Jun 29	Jun 30	Jun 31	Jul 1	Jul 2	Jul 3	Jul 4	Jul 5	Jul 6	Jul 7	Jul 8	Jul 9	Jul 10	Jul 11	Jul 12	Jul 13	Jul 14	Jul 15	Jul 16	Jul 17	Jul 18	Jul 19	Jul 20	Jul 21	Jul 22	Jul 23	Jul 24	Jul 25	Jul 26	Jul 27	Jul 28	Jul 29	Jul 30	Jul 31	Aug 1	Aug 2	Aug 3	Aug 4	Aug 5	Aug 6	Aug 7	Aug 8	Aug 9	Aug 10	Aug 11	Aug 12	Aug 13	Aug 14	Aug 15	Aug 16	Aug 17	Aug 18	Aug 19	Aug 20	Aug 21	Aug 22	Aug 23	Aug 24	Aug 25	Aug 26	Aug 27	Aug 28	Aug 29	Aug 30	Aug 31	Sep 1	Sep 2	Sep 3	Sep 4	Sep 5	Sep 6	Sep 7	Sep 8	Sep 9	Sep 10	Sep 11	Sep 12	Sep 13	Sep 14	Sep 15	Sep 16	Sep 17	Sep 18	Sep 19	Sep 20	Sep 21	Sep 22	Sep 23	Sep 24	Sep 25	Sep 26	Sep 27	Sep 28	Sep 29	Sep 30	Sep 31	Oct 1	Oct 2	Oct 3	Oct 4	Oct 5	Oct 6	Oct 7	Oct 8	Oct 9	Oct 10	Oct 11	Oct 12	Oct 13	Oct 14	Oct 15	Oct 16	Oct 17	Oct 18	Oct 19	Oct 20	Oct 21	Oct 22	Oct 23	Oct 24	Oct 25	Oct 26	Oct 27	Oct 28	Oct 29	Oct 30	Oct 31	Nov 1	Nov 2	Nov 3	Nov 4	Nov 5	Nov 6	Nov 7	Nov 8	Nov 9	Nov 10	Nov 11	Nov 12	Nov 13	Nov 14	Nov 15	Nov 16	Nov 17	Nov 18	Nov 19	Nov 20	Nov 21	Nov 22	Nov 23	Nov 24	Nov 25	Nov 26	Nov 27	Nov 28	Nov 29	Nov 30	Dec 1	Dec 2	Dec 3	Dec 4	Dec 5	Dec 6	Dec 7	Dec 8	Dec 9	Dec 10	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15	Dec 16	Dec 17	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22	Dec 23	Dec 24	Dec 25	Dec 26	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31
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holding company rose 1.64 to 12.890 amid renewed rumours of a merger with Cofide, the ultimate holding company for the De Benedetti family's interests. Cofide rose 1.79 to 11.837.

FRANKFURT was encouraged on a number of fronts: a reduction by the Bundesbank in the repo rate, ahead of today's meeting of the council, and a good figure from the chemical sector. Bayer being the latest group to announce results, and a boost for Daimler from its Mercedes unit forecasting an improvement in 1994 sales.

The Dax index closed the official session up 10.37 at 2,263.57.



There was also help from the futures market and in the after market the Ibis indicated index improved further to 2,266.

Daimler added DM7.30 to DM889 while Bayer, which forecast that profits would rise by 15 to 20 per cent this year gained DM8.80.

In contrast Volkswagen lost DM14.30 to DM224.50 on news of further investigations involving Mr Jose Ignacio Lopez Arriortua.

AMSTERDAM failed to hold onto Tuesday's gains and the AEX index declined 1.10 to 417.32, mainly due to selling of financial stocks. ING, for example, lost F1.30 to F1240.10.

The market overall was particularly affected by Akzo Nobel trading ex a dividend of F1.60, the shares losing F1.37 to F1223.20. In contrast DSM added F1.20 to F138.90.

Heineken, off 90 cents at F1240.10, said that it was to take legal action against

up after recent underperformance. Zurich bearers rose Sfr30 to Sfr 1,282.

Nestlé was unchanged at Sfr1,210, with investors unimpressed with the outcome of its press conference. The group announced volume growth, a measure of the absolute number of goods sold, rose by 1.5 to 1.7 per cent in the first quarter, compared with expectations of a rise of 2 per cent or more.

MADRID saw gains across the board, in response to foreign market trends and the German repo rate cut, which took the general index 3.32 or 1 per cent higher to 325.38 in heavy turnover of Pta313bn.

Banesto rose Pta100 or 15 per cent to Pta590 and Santander recovered Pta100 to Pta5,810.

James Capel commented that having got over the initial shock of the successful bid of Pta762 per share for 60 per cent of Banesto and having received timely presentations from Santander on the rationale for the offer, the market has made the appropriate adjustment to the Santander share price. From this level, the shares have every chance of performing at least as well as any other Spanish bank stock on a one year view.

# Fundamentals in place in spite of setback

John Pitt surveys trends among emerging markets

The tightening of US monetary policy has made its effect felt on the world's emerging markets this year. After impressive gains in many of the markets throughout 1993 a reversal of fortune has been witnessed during the last quarter.

According to Baring Securities' April issue of Global Strategy, emerging equity markets attracted some \$40.5bn during 1993 (this figure excludes Hong Kong and Singapore), with most of that originating from the US. Looking at the regional division of the fund flow reveals that almost 50 per cent went to Latin America, with some 45 per cent going to the Pacific Rim. Surprisingly only \$2bn or 5 per cent was directed towards Eastern Europe, the Middle East and Africa, suggesting caution on the part of investors from western Europe.

In spite of recent setbacks, Barings asserts that "stronger economic fundamentals of emerging markets should reassert themselves by the second half of 1994". Dividing the markets into three groups - export-led (north east and south east Asia), resource producing (Latin America) and consumer-orientated (eastern and southern Europe and Indian sub-continent) - Barings suggests that external factors, higher commodity prices and faster world trade growth, "will ultimately raise the liquidity of the first two emerging market groups, and of these it is the resource producing that stand to enjoy the greater profit gains, given their higher fixed cost structures".

But, they add, while such external influences remain weak, outperformance should be seen from, in particular, India, Brazil and "the reforming eastern European and southern European markets".

Brazil was, according to research from Kleinman International in Washington, one of the first quarters best performers in dollar terms. "Foreign investors placed some \$5.5bn into the country in 1993, five times the 1992 figure, 80 per cent into stocks and the rest in debentures and bank deposits", says Kleinman.

Over the last week or so the equity market has corrected sharply, although clawing back slightly this week, in reaction to the rise in US interest rates. The longer term picture is clouded by congressional and presidential elections in October, and efforts by the present administration to secure support for its constitutional reform programme.

Looking elsewhere, the case for Africa is being made by a number of brokers and analysts, not the least Blakeney Management in London.

Aside from South Africa, which is hardly an emerging market, the sub-Saharan countries are likely to benefit from higher commodity prices. According to Blakeney, "higher prices for copper, gold, coffee, cocoa, phosphates, platinum, nickel and other commodities will bring prosperity to Africa, while the 'dragons' struggle to protect their processing margin".

# Nikkei up in low volume, Hang Seng down

**Tokyo**

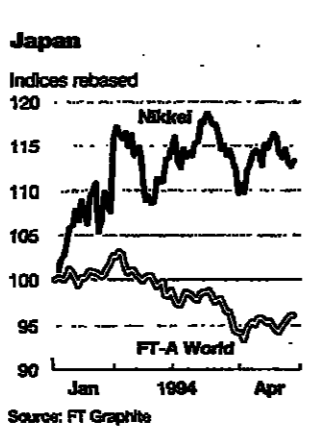
Most investors were absent ahead of the Golden Week holidays, but buying by financial institutions and investment trust funds helped stocks post modest gains, writes Emiko Terazono in Tokyo.

The Nikkei index rose 100.22 to 19,728.15 after a low of 19,613.82 and a high of 19,813.86 just before the close. Volume was 210m shares, the lowest for the year as many investors refrained from activity due to the string of holidays which start on Friday, and uncertainty over domestic politics and currency movements.

Small lot buying amid low volume pushed share prices higher along with a rise in futures prices. The Topix index of all first section stocks rose 3.59 to 1,601.51 while the Nikkei 300 gained 0.57 to 292.70. Gainers led losers by 614 to 497, with 193 issues remaining unchanged. In London, the ISE/Nikkei 50 index rose 1.96 to 1,307.83.

Individual investors were seen trading speculative shares. Some traders see the moves connected to the political unrest as the possibility of an early election has increased due to the Socialist Democratic party's departure from the coalition government earlier this week.

Sumitomo Coal Mining, the most active issue of the day, rose Y38 to Y993 on speculative



trading. Pacific Metals, which fell Y15 to Y455, was initially higher on early buying by individual investors, but closed lower on profit taking.

Remarks by the chairman of the Japan Iron and Steel Federation that steel demand was bottoming out, supported steel stocks. Sanyo Special Steel rose Y8 to Y440 and Kobe Steel advanced Y3 to Y268.

Nippon Telegraph and Telephone, a benchmark for investor confidence, fell Y1,000 to Y85,000.

In Osaka, the OSE average rose 44.79 to 21,977.33 in volume of 14.2m shares. Nintendo rose Y60 to Y6,620 on bargain hunting.

**HONG KONG** finished sharply lower, unable to find reasons to extend Tuesday's gains. The Hang Seng index lost 215.39 or 2.31 per cent, at 9,113.25, just above its low for the day. Turnover was a light HK\$2.98bn against Tuesday's HK\$4.06bn.

Property issues were squeezed by profit-taking after they led Tuesday's rise.

Cheung Kong slipped 75 cents to HK\$37. Henderson Land lost HK\$1 to HK\$39 and SHK Properties fell HK\$1.50 to HK\$47.75.

MANILA fell back as investors paused to take profits after three days of gains. The composite index fell 26.61 at 2,840.98, prompting expectations that the correction will last for another two days before the market tries to break through resistance at the 2,900 level.

AUSTRALIA was left lower by one arbitrage-related transaction worth about A\$390m and bonds also finished weaker.

The All Ordinaries index closed 9.7 down at 2,069.7 after climbing to a high of 2,083.2 early in the session.

Among leading stocks, News Corp ended 4 cents higher at A\$9.29 but BHP slipped 6 cents to A\$16.84, off a high of A\$17.14.

SINGAPORE continued to give way to profit-taking ahead of today's closure of Wall Street and the release of the US first quarter gross domestic

product figures tomorrow.

The Straits Times Industrials index closed 23.56 or 1 per cent lower at 2,330.71.

TAIWAN picked up after Tuesday's fall as buyers returned for plastics and papers issues. The weighted index, still unable to break out of the 5,800-6,000 range, rose 31.82 to 5,892.98, off a low of 5,805 points, in turnover that fell to T\$63.1bn from the previous T\$69.0bn.

China Airlines fell T\$2.00 to T\$45.50 after Tuesday's crash of a CAL airliner in Nagoya, Japan.

SEOUL was helped higher as demand switched from low priced issues to blue chips during the afternoon and the composite stock index closed 9.79 or 1.1 per cent higher at 897.43. The market also heard rumours that the government was close to a decision to ease regulations on stock transactions, although the finance ministry officials said nothing has been decided and no announcement was due in the near future.

BANGKOK built its hopes for improved first quarter results from listed companies and the SET index rose 10.92 or 0.9 per cent to 1,274.71 in thin trading.

KUALA LUMPUR remained weak on profit-taking but gains in blue-chips limited the fall in the composite index to just 0.12 at 1,063.35.

BOMBAY dipped in sluggish trading which left the BSE 30-

share index ended 27.44 lower at 3,753.08.

JAKARTA was firmer in active trading on local and foreign buying of blue chip stocks, and the official index rose 7.38 to 641.70.

NEW ZEALAND saw higher prices for a number of mid-tier stocks which lifted the NZSE-40 capital 11.17 to 2141.35.

Lion Nathan added 8 cents to NZ\$3.68 in response to half year profits that were at the top end of expectations and a higher dividend.

KARACHI's 100-share index fell 47.20 or 2 per cent to 2,361.40 on heavy selling by retail investors seeing uncertainty on the political outlook.

# Toronto marks time in the absence of Wall Street

**Canada**

In the absence of Wall Street Toronto stocks edged higher led by gains in the precious metals, real estate and mining sectors.

Dealers said that the market would continue to focus on results from the current first quarter earnings period.

The TSE 300 index was up 5.99 at 4,269.79 by mid morning on volume of 4.3m shares valued at C\$46.5m. Advances world

declines 123 to 92, with 168 stocks unchanged.

Of Toronto's 14 sub-groups, 10 indices gained ground in early trading.

The gold and silver index climbed 62.32 or 0.67 per cent, to 9,328.62. Strong gold stocks were led by Placer Dome, up C\$% to C\$28% in light volume.

Other rising sectors included mining, up 24.93 to 3,487.64, and real estate which rose 20.87 to 3,046.21.

Among active stocks, Northern Telecom extended Tues-

day's gains after posting an unexpected first quarter profit. The stock gained C\$% to C\$41% on 27,500 shares.

**Venezuela**

Venezuelan equities fell back following the resignation on Tuesday of the president of the central bank over a disagreement regarding the government's economic policies. President Ruth de Krivoy said her decision was "irrevocable". The bank said that three other

directors had also resigned.

On Tuesday the general index lost 0.5 per cent.

**Brazil**

Equities in São Paulo recovered from earlier lows, but remained down at mid-morning in thin trade as the market awaited news on whether congress would vote on anti-inflation legislation. The Bovespa index was off 1.4 per cent to 15,618 in thin volume of CR\$2bn (\$42m).

FT-ACTUARIES WORLD INDICES																																
Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries																																
TUESDAY APRIL 26 1994															MONDAY APRIL 25 1994																	
REGIONAL AND COUNTRY MARKETS															DOLLAR INDEX																	
Number of lines of stock															Number of lines of stock																	
US Dollar Index	Day's Change %	Starting Point	Yes	Index	DM Index	Local Currency	% chg on local	Gross Div. Yield	US Dollar Index	Starting Point	Yes	Index	DM Index	Local Currency	% chg on local	Gross Div. Yield	US Dollar Index	Starting Point	Yes	Index	DM Index	Local Currency	% chg on local	Gross Div. Yield	US Dollar Index	Starting Point	Yes	Index	DM Index	Local Currency	% chg on local	Gross Div. Yield
Australia (69)	189.27	1.8	167.14	110.13	147.85	158.38	1.4	3.48	188.25	165.25	108.48	145.16	154.19	188.15	130.19	142.89	188.25	165.25	108.48	145.16	154.19	188.15	130.19	142.89	188.25	165.25	108.48	145.16	154.19	188.15	130.19	142.89
Austria (17)	174.51	0.4	172.31	113.53	152.42	152.33	0.4	1.02	173.77	172.73	113.38	151.72	151.76	185.41	138.63	144.70	173.77	172.73	113.38	151.72	151.76	185.41	138.63	144.70	173.77	172.73	113.38	151.72	151.76	185.41	138.63	144.70
Belgium (43)	188.06	0.4	186.93	109.99	147.67	144.29	0.4	3.79	188.38	187.25	108.89	147.00	143.86	171.99	141.82	152.29	188.38	187.25	108.89	147.00	143.86	171.99	141.82	152.29	188.38	187.25	108.89	147.00	143.86	171.99	141.82	152.29
Canada (108)	130.29	1.0	128.85	84.77	113.00	129.87	0.6	2.59	129.03	128.25	84.19	112.85	129.09	143.31	151.46	125.21	129.03	128.25	84.19	112.85	129.09	143.31	151.46	125.21	129.03	128.25	84.19	112.85	129.09	143.31	151.46	125.21
Denmark (32)	255.87	1.2	252.46	168.34	223.31	223.73	1.3	1.04	252.67	251.15	164.87	220.61	228.72	275.79	207.58	217.25	252.67	251.15	164.87	220.61	228.72	275.79	207.58	217.25	252.67	251.15	164.87	220.61	228.72	275.79	207.58	217.25
Finland (22)	148.46	1.4	146.58	98.58	128.67	188.89	1.1	0.88	146.47	145.59	95.67	127.89	168.07	158.72	85.54	94.31	146.47	145.59	95.67	127.89	168.07	158.72	85.54	94.31	146.47	145.59	95.67	127.89	168.07	158.72	85.54	94.31
France (99)	171.61	0.7	169.36	111.59	148.80	155.17	0.5	2.88	170.40	169.37	111.19	148.78	154.19	165.37	148.80	151.75	170.40	169.37	111.19	148.78	154.19	165.37	148.80	151.75	170.40	169.37	111.19	148.78	154.19	165.37	148.80	151.75
Germany (89)	143.12	1.8	141.32	93.12	125.01	125.07	1.8	1.64	140.89	139.82	91.78	122.81	122.81	163.12	107.89	116.67	140.89	139.82	91.78	122.81	122.81	163.12	107.89	116.67	140.89	139.82	91.78	122.81	122.81	163.12	107.89	116.67
Hong Kong (50)	381.84	2.1	378.84	248.30	333.35	378.54	2.1	2.81	373.74	371.50	243.57	326.32	370.75	508.56	271.42	274.73	373.74	371.50	243.57	326.32	370.75	508.56	271.42	274.73	373.74	371.50	243.57	326.32	370.75	508.56	271.42	274.73
Ireland (14)	180.45	0.5	180.05	123.91	106.35	184.27	0.2	3.27	180.58	180.45	123.70	155.33	183.97	209.33	155.83	165.80	180.58	180.45	123.70	155.33	183.97	209.33	155.83	165.80	180.58	180.45	123.70	155.33	183.97	209.33	155.83	165.80
Italy (62)	95.50	3.8	94.30	62.13	83.42	114.87	3.8	1.51	92.01	91.48	62.04	80.34	110.56	95.50	57.88	70.41	92.01	91.48	62.04	80.34	110.56	95.50	57.88	70.41	92.01	91.48	62.04	80.34	110.56	95.50	57.88	70.41
Japan (499)	153.10	-0.1	153.15	100.91	125.47	100.91	-0.4	1.80	153.23	154.23	101.32	138.59	101.32	156.91	154.84	138.01	153.23	154.23	101.32	138.59	101.32	156.91	154.84	138.01	153.23	154.23	101.32	138.59	101.32	156.91	154.84	138.01
Malaysia (8)	487.42	-0.9	487.21	321.02	430.56	511.85	-0.8	1.38	487.63	484.83	324.64	434.67	615.80	621.85	512.05	512.46	487.63	484.83	324.64	434.67	615.80	621.85	512.05	512.46	487.63	484.83	324.64	434.67	615.80	621.85	512.05	512.46
Mexico (18)	1908.38	-0.2	1891.37	1289.84	1684.22	1908.02	-0.8	0.72	1909.38	1897.90	1245.87	1687.07	2013.38	2047.08	1431.17	1592.90	1909.38	1897.90	1245.87	1687.07	2013.38	2047.08	1431.17	1592.90	1909.38	1897.90	1245.87	1687.07	2013.38	2047.08	1431.17	1592.90
Netherlands (28)	204.09	0.8	201.32	132.78	178.27	175.83	0.9	3.19	202.26	201.04	131.87	176.50	174.33	207.43	163.50	172.17	202.26	201.04	131.87	176.50	174.33	207.43	163.50	172.17	202.26	201.04	131.87	176.50	174.33	207.43	163.50	172.17
New Zealand (14)	207.12	2.3	205.27	137.87	118.82	207.07	2.1	3.69	205.89	205.25	137.82	176.50	174.33	207.43	163.50	172.17	205.89	205.25	137.82	176.50	174.33	207.43	163.50	172.17	205.89	205.25	137.82	176.50	174.33	207.43	163.50	172.17
Norway (18)	180.58	0.4	180.12	127.24	170.83	183.79	0.5	1.71	184.74	183.67	127.07	170.03	182.88	206.42	180.81	180.85	184.74	183.67	127.07	170.03	182.88	206.42	180.81	180.85	184.74	183.67	127.07	170.03	182.88	206.42	180.81	180.85
South Africa (59)	282.92	0.5	282.01	171.06	229.85	289.81	0.4	2.28	282.36	280.90	168.14	211.80	289.30	280.29	175.93	182.65	282.36	280.90	168.14	211.80	289.30	280.29	175.93	182.65	282.36	280.90	168.14	211.80	289.30	280.29	175.93	182.65
Spain (42)	141.80	0.9	140.01	92.26	123.86	149.44	1.2	4.04	140.47	139.82	91.86	122.64	145.72	165.79	118.33	132.82	140.47	139.82	91.86	122.64	145.72	165.79	118.33	132.82	140.47	139.82	91.86	122.64	145.72	165.79	118.33	132.82
Sweden (39)	215.13	0.8	212.42	139.57	187.31	249.93	0.7	1.59	213.32	212.04	139.19	185.25	246.20	280.42	176.80	182.46	213.32	212.04	139.19	185.25	246.20	280.42	176.80	182.46	213.32	212.04	139.19	185.25	246.20	280.42	176.80	182.46
Switzerland (12)	159.12	0.5	157.11	100.52	138.29	141.49	0.7	1.68	159.23	158.21	100.21	138.24	140.63	170.58	119.53	121.58	159.23	158.21	100.21	138.24	140.63	170.58	119.53	121.58	159.23	158.21	100.21	138.24	140.63	170.58	119.53	121.58
United Kingdom (20)	129.82	1.2	129.29	125.45	188.49	249.38	0.6	1.88	129.47	129.33	124.28	188.25	249.33	214.96	170.32	181.98	129.47	129.33	124.28	188.25	249.33	214.96	170.32	181.98	129.47	129.33	124.28	188.25	249.33	214.96	170.32	181.98
USA (19)	184.15	-0.1	181.81	110.81	160.94	184.15	-0.1	2.89	184.43	183.32	110.34	160.81	184.31	184.43	179.91	173.81	184.43	183.32	110.34	160.81	184.31	184.43	179.91	173.81	184.43	183.32	110.34	160.81	184.31	184.43	179.91	173.81
EUROPE (728)																																
1.2	187.75	110.53	148.29	100.06	1.0	2.88	167.81	166.80	100.60	146.51	159.24	179.58	141.88	148.03																		
NORTH AMERICA (179)																																
1.0	204.84	134.89	181.10	210.17	1.9	1.57	205.45	204.22	134.08	179.78	208.23	200.00	155.82	155.11																		
ASIA (147)																																
0.1	161.80	108.69	143.22	111.35	-0.2	1.08	163.82	162.44	108.90	143.04	111.54	140.60	155.82	155.11																		
OCEANIA (10)																																
0.1	108.69	108.69	143.22	111.35	-0.2	1.08	163.82	162.44	108.90	143.04	111.54	140.60	155.82	155.11																		
AMERICA (629)																																
-0.1	176.69	117.69	167.52	180.39	-0.1	2.88	180.10	179.11	118.10	158.03	180.61	192.73	173.70	173.70																		
EUROPE (10)																																
1.2	158.18	99.80	184.14	142.22	1.3	2.27	151.73	150.82	99.00	132.48	140.40	156.73	122.37	126.68																		
ASIA (10)																																
1.2	247.35	166.96	218.78	228.53	1.1	2.00	247.68	246.05	166.12	218.13	228.08	229.21	142.64	142.64																		
EUROPE (10)																																
1.2	158.18	99.80	184.14	142.22	1.3	2.27	151.73	150.82	99.00	132.48	140.40	156.73	122.37	126.68																		
EUROPE (10)																																
1.2	158.18	99.80	184.14	142.22	1.3	2.27	151.73	150.82	99.00	132.48	140.40	156.73	122.37	126.68																		
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EUROPE (10)																																
1.2	158.18	99.80	184.14	142.22	1.3	2.27	151.73	150.82	99.00	132.48	140.40	156.73	122.37	126.68																		
EUROPE (10)																																
1.2	158.18	99.80	184.14	142.22	1.3	2.27	151.73	150.82	99.00	132.48	140.40	156.73	122.37	126.6																		